Industry Report on Cotton Yarn Industry in India

September 2026

Prepared For

Rudra Cottex Limited.

Disclaimer

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Contents

Abbreviation List

Abbreviation	Full Form
AICRP	All India Coordinated Research Project
AgroTech	Agricultural Textiles
ATUFS	Amended Technology Upgradation Fund Scheme
BCI	Better Cotton Initiative
BIS	Bureau of Indian Standards
BITS	Bale Identification and Traceability System
Bt	Bacillus thuringiensis
BuildTech	Construction Textiles
CAGR	Compound Annual Growth Rate
CEPA	Comprehensive Economic Partnership Agreement
CETA	Comprehensive Economic and Trade Agreement
CCI	Cotton Corporation of India
CIS	Capital Investment Subsidy
CITI	Confederation of Indian Textile Industry
ClothTech	Clothing Textiles
CMIA	Cotton Made in Africa
CMIE	Centre for Monitoring Indian Economy
COC	Chain of Custody
COCPC	Committee on Cotton Production & Consumption
CPI	Consumer Price Index
CPSE	Central Public Sector Enterprise
CSIR	Council of Scientific and Industrial Research
CSIR-NBRI	Council of Scientific and Industrial Research – National Botanical Research Institute
CY	Calendar Year
D&B	Dun & Bradstreet
D-U-N-S	Data Universal Numbering System
DCH-32	Dharwad Cotton Hybrid-32
DFC	Dedicated Freight Corridor
DGFT	Directorate General of Foreign Trade
DGCIS	Directorate General of Commercial Intelligence and Statistics
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
ELS	Extra Long Staple
ESG	Environment, Social and Governance
EXIM	Export-Import
FDI	Foreign Direct Investment
FICCI	Federation of Indian Chambers of Commerce and Industry
FSC	Forest Stewardship Council
FRE	First Revised Estimate
FTA	Free Trade Agreement

FY	Financial Year
GDP	Gross Domestic Product
GFCF	Gross Fixed Capital Formation
GeoTech	Geotechnical Textiles
GL-11	Gulf-Levant 11
GNDI	Gross National Disposable Income
GOTS	Global Organic Textile Standard
GRS	Global Recycled Standard
GVA	Gross Value Added
HCES	Household Consumption Expenditure Survey
HomeTech	Home Textiles
HSN	Harmonized System of Nomenclature
ICAR	Indian Council of Agricultural Research
IEA	International Energy Agency
IEEPA	International Emergency Economic Powers Act
IIP	Index of Industrial Production
IMF	International Monetary Fund
InduTech	Industrial Textiles
INR	Indian Rupee
IPDS	Integrated Processing Development Scheme
ISDS	Integrated Skill Development Scheme
ISI	Indian Standards Institution
IT	Information Technology
KPI	Key Performance Indicator
LC	Letter of Credit
LNG	Liquefied Natural Gas
MedTech	Medical Textiles
MMF	Man-Made Fibre
MNRE	Ministry of New and Renewable Energy
MobilTech	Automotive / Mobility Textiles
MOSPI	Ministry of Statistics and Programme Implementation
MPC	Monetary Policy Committee
MSP	Minimum Support Price
MSME	Micro, Small and Medium Enterprises
NBRI	National Botanical Research Institute
NGS	Next Generation Sequencing
NSO	National Statistics Office
NSWS	National Single Window System
NTTM	National Technical Textiles Mission
OBBBA	One Big Beautiful Bill Act
OCS	Organic Content Standard
OECD	Organization for Economic Co-operation and Development

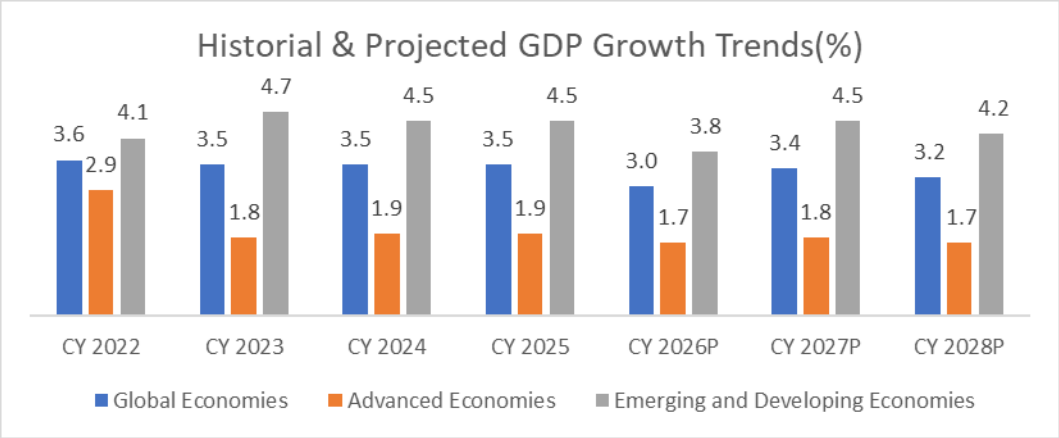
OekoTech	Ecological / Environmental Textiles
PackTech	Packaging Textiles
PE	Provisional Estimates
PFCE	Private Final Consumption Expenditure
PIB	Press Information Bureau
PLI	Production Linked Incentive
PLFS	Periodic Labour Force Survey
PM MITRA	PM Mega Integrated Textile Region and Apparel
ProTech	Protective Textiles
PV	Photovoltaic
QCO	Quality Control Order
QR	Quick Response
R&D	Research and Development
RA	Regional Authority
RBI	Reserve Bank of India
RC	Registration Certificate
RCS	Recycled Claim Standard
RDF	Refuse Derived Fuel
RE	Revised Estimates
REIT	Real Estate Investment Trust
RMG	Ready-Made Garments
ROA	Return on Assets
ROCE	Return on Capital Employed
SEDEX	Supplier Ethical Data Exchange
SITP	Scheme for Integrated Textile Parks
SporTech	Sports Textiles
SSI / S.S.I.	Small Scale Industries
TFO	Two-For-One
TEXPROCIL	The Cotton Textiles Export Promotion Council
TRACE	Trade Regulations, Accreditation & Compliance Enablement
UHMWPE	Ultra-High Molecular Weight Polyethylene
UN	United Nations
UNEP	United Nations Environment Programme
US	United States
USDA	United States Department of Agriculture
USD	United States Dollar
WEO	World Economic Outlook
WPI	Wholesale Price Index

Global Macroeconomic Scenario

Global Economic Overview

The global economy continues to demonstrate resilience despite ongoing geopolitical uncertainties, supply chain disruptions and evolving monetary policy conditions across major economies. According to the International Monetary Fund ("IMF"), global economic growth grew at 3.5% in CY2025. The global economy is navigating a period characterized by the interplay of geopolitical uncertainty and accelerating technological transformation. While ongoing geopolitical tensions continue to create challenges for global trade, energy markets, and supply chains, rapid advancements in artificial intelligence (AI), automation, cloud computing, advanced manufacturing, and digital infrastructure are supporting productivity gains and investment activity across major economies.

Despite the economic disruptions arising from regional conflicts, the impact on global growth has thus far been more contained than initially anticipated. Inflation expectations, financial conditions, and commodity markets have remained relatively resilient, allowing economic activity to continue expanding. Looking ahead, technological innovation, digitalization, and evolving supply-chain strategies are expected to remain key structural drivers shaping medium-term global growth prospects.



Source – IMF Global GDP Forecast Release, July 2026[1]

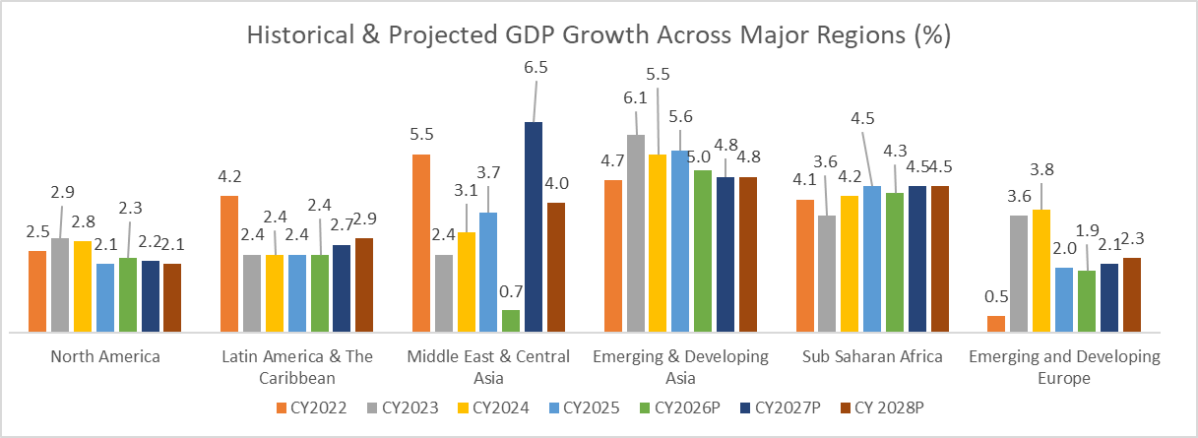
Note: Data till CY2027 are sourced from the IMF's July 2026 World Economic Outlook (WEO) Update. The CY2028 data are sourced from the IMF World Economic Outlook Database.[2]

Regional GDP Growth

The chart highlights significant divergence in economic growth trajectories across major regions during CY2022-CY2028P. While Emerging & Developing Asia continues to lead global growth, regions such as the Middle East & Central Asia exhibit higher volatility due to geopolitical and commodity-related factors.

[1] https://www.imf.org/-/media/files/publications/weo/2026/update/july/english/text.pdf
[2] https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD

Meanwhile, North America, Latin America, and Sub-Saharan Africa are expected to display relatively stable growth patterns over the forecast period



Source – IMF Global GDP Forecast Release, July 2026[3]

Note: Data till CY2027 are sourced from the IMF's July 2026 World Economic Outlook (WEO) Update. The CY2028 data are sourced from the IMF World Economic Outlook Database.[4]

North America- Stable and Mature Growth Profile:

North America is expected to maintain a steady growth trajectory, with GDP growth moderating from 2.5% in CY2022 to around 2.1-2.3% during CY2024-CY2028 P. The region benefits from resilient consumer spending, strong labour markets, and ongoing investments in technology and digital infrastructure. Although growth is lower than emerging markets, the consistency reflects the maturity and resilience of its economic structure.

Latin America & Caribbean- Gradual Stabilization:

Growth in Latin America & the Caribbean is projected to normalize after a strong 4.2% expansion in CY2022, settling between 2.4% and 2.9% through CY2028P. The moderation reflects tighter monetary conditions and slower global demand; however, improving domestic consumption, easing inflationary pressures, and commodity sector support are expected to sustain moderate economic expansion across the region.

Middle East & Central Asia- Sharp Volatility Followed by Recovery:

The Middle East & Central Asia region displays the most pronounced fluctuations among all regions. Growth rises from 2.4% in CY2023 to 3.7% in CY2025, before plunging to 0.7% in CY2026F, reflecting geopolitical disruptions, energy market uncertainty, and trade route constraints. A strong rebound is expected thereafter, with growth surging to 6.5% in CY2027 before normalizing to 4.0% in CY2028P,

[3] https://www.imf.org/-/media/files/publications/weo/2026/update/july/english/text.pdf
[4] https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD

supported by recovery in energy production, infrastructure investments, and normalization of regional trade.

Emerging & Developing Asia- Global Growth Engine

Emerging & Developing Asia continues to outperform all major regions, maintaining growth above 4.5% throughout the period. After peaking at 6.1% in CY2023, growth is projected to stabilize between 4.8% and 5.6% during CY2024-CY2028P. Strong domestic demand, expanding manufacturing capabilities, infrastructure investments, digital transformation initiatives, and favourable demographics continue to position the region as the primary contributor to global economic growth. India and Southeast Asian economies are expected to remain key growth drivers.

Sub-Saharan Africa-Consistent Growth Momentum:

Sub-Saharan Africa demonstrates a relatively stable growth outlook, improving from 3.6% in CY2023 to around 4.3-4.5% during CY2026-CY2028P. Economic activity is supported by urbanization, demographic growth, infrastructure development, and recovery in commodity-related sectors. Despite external risks and fiscal challenges in certain economies, the region is expected to maintain steady medium-term growth momentum.

Emerging & Developing Europe- Recovery After Sharp Slowdown:

Emerging & Developing Europe experienced a significant slowdown from 3.8% in CY2023 to just 0.5% in CY2022, reflecting the lingering impact of geopolitical tensions and energy market disruptions. Growth subsequently recovered to 3.6% in CY2023, before moderating and stabilizing around 2.0-2.3% during CY2025-CY2028P. Continued geopolitical uncertainty and energy dependency are expected to constrain growth, although improved trade activity and fiscal support measures provide some stabilization.

Trade and Commodity Market Trends

Commodity markets continue to operate in a high-price environment. Energy prices remain significantly above pre-conflict levels, with the IMF projecting average crude oil prices of approximately US 89 per barrel in CY2026, representing a year-on-year increase of around 32%, while natural gas prices are forecast to rise by roughly 22%. Elevated energy costs are also expected to push fertilizer prices up by approximately 26% and food prices by about 8%, reflecting higher transportation and production costs.

Global trade activity is expected to moderate in the near term, with world trade volume growth projected to decline from 5.0% in CY2025 to 3.5% in CY2026, before recovering to 4.3% in CY2027 as supply-chain conditions improve and demand stabilizes.

Global Economic Outlook[5]

According to the IMF, global GDP growth is projected at **3.0% in CY2026** and **3.4% in CY2027**, compared with an average growth rate of approximately **3.5% during CY2024-CY2025**. Growth in advanced economies is projected at 1.7% in 2026 and 1.8% in 2027, with the overall impact of the Middle East conflict remaining relatively contained compared with emerging market and developing economies. Net energy exporters are partly cushioned by favourable terms-of-trade effects, while net energy importers face greater pressure from higher energy prices. In **the United States**, growth is projected at 2.3% in 2026 and 2.2% in 2027, supported by fiscal policy, accommodative financial conditions, continued technology-related investment and productivity strength. The impact of the Middle East conflict is expected to remain limited given the United States' position as a net energy exporter. In **the euro area**, growth is projected at 0.9% in 2026 and 1.2% in 2027, with higher energy prices, weak consumer confidence and soft underlying momentum weighing on activity.

In **emerging market and developing economies**, growth is projected to slow to 3.8% in 2026 before recovering to 4.5% in 2027. The outlook varies across economies, reflecting differences in commodity dependence, geographic exposure, remittances and tourism receipts, sensitivity to financial conditions, and positioning within the global technology value chain. China's growth is projected at 4.6% in 2026, as higher global oil prices, prolonged uncertainty and structural headwinds are expected to weigh on activity. India remains among the fastest-growing major economies, with growth projected at 6.4% in 2026, supported by strong momentum in private consumption and services activity. Malaysia's economy is projected to grow by 4.7% in 2026, benefiting from data center activity and an upturn in the global technology cycle. Thailand's growth forecast has been revised upward by 0.4 percentage point to 1.9%, supported by emergency fiscal measures, robust technology-related exports and investment. Vietnam's 2026 growth projection has also been revised upward by 0.4 percentage point to 7.5%, driven by stronger-than-expected technology exports and robust domestic demand. By contrast, small island developing states are expected to experience slower growth due to higher energy costs, weaker tourism and lower remittance inflows.

In the **Middle East and Central Asia**, growth is projected to drop sharply to 0.7% in 2026 before rebounding to 6.5% in 2027, representing a downward revision of 1.2 percentage points for 2026 and an upward revision of 1.9 percentage points for 2027. The outlook reflects a longer closure of the Strait of Hormuz than previously assumed and the resulting larger rebound. Iraq, Kuwait and Qatar, among the commodity producers most affected by disruptions to energy output and transportation, are projected to experience sharp economic contractions in 2026, followed by double-digit expansions in 2027. Saudi Arabia

[5] https://www.imf.org/-/media/files/publications/weo/2026/update/july/english/text.pdf

is expected to be relatively less affected due to its more diversified export routes, with growth projected at 1.7% in 2026 and 5.5% in 2027. Iran's 2026 growth forecast has been revised upward by 0.7 percentage point to –5.4%, reflecting stronger-than-expected oil exports and some relaxation of export restrictions, while its 2027 forecast has been revised downward by 0.3 percentage point. Commodity importers in the Middle East and North Africa are expected to remain relatively resilient despite higher energy and food prices, while economies in the Caucasus and Central Asia continue to benefit from favourable economic conditions and growth prospects.

In **Emerging and Developing Europe**, growth is expected to remain restrained at around 2.0%, reflecting subdued economic activity and continued geopolitical and energy-related pressures. Russia's growth is projected at 1.1%, with stronger export revenues, partly driven by higher commodity prices, providing some support to the economy. However, the outlook remains challenging for energy-intensive economies and countries dependent on fossil fuel imports, as higher energy prices continue to weigh on economic activity. These pressures are partly offset by the positive impact of increased defense spending, which is supporting economic activity across parts of the region.

Key factors impacting Global Macroeconomic landscape

Geopolitical tensions remain one of the most significant sources of macroeconomic uncertainty. Ongoing conflicts continue to influence commodity prices, transportation networks, and trade flows, contributing to elevated energy costs and inflationary pressures. While baseline projections assume a gradual normalization of global energy and logistics conditions, further disruptions remain a key downside risk.

Trade fragmentation and supply-chain diversification are becoming increasingly important. Higher tariffs, geopolitical tensions and policy uncertainty are encouraging companies to diversify sourcing, regionalize production networks and strengthen supply-chain resilience. The resulting shift toward nearshoring, friend-shoring and multi-sourcing is increasing the strategic importance of supply-chain redundancy, even where this involves higher operating costs.

In **Global Trade and Commodity Markets,** Commodity prices remain elevated, with energy prices around 25% above pre-war levels. The IMF projects the average petroleum spot price index at USD 89 per barrel in 2026 and natural gas prices at USD 15, corresponding to increases of 32% for crude oil and 22% for natural gas compared with 2025. Fertilizer prices are projected to rise by 26%, while food prices are expected to increase by 8%, reflecting higher energy, fertilizer and transportation costs. World trade volume growth is projected to slow from 5.0% in 2025 to 3.5% in 2026, before recovering to 4.3% in 2027.

Technology adoption and sustainability are becoming core strategic priorities. Rapid advances in artificial intelligence, cloud computing, automation, data centres and digital infrastructure are supporting technology-related investment and productivity growth. At the same time, rising electricity demand from digital infrastructure is increasing the importance of energy efficiency, advanced cooling systems, grid reliability and renewable-energy integration. The IMF identifies continued technology-related business investment and productivity strength as an important support to US growth, while the IEA highlights the growing role of rare-earth-dependent technologies such as AI data centres, electric vehicles, wind turbines and advanced industrial equipment.

Critical-mineral supply concentration is becoming a strategic economic risk. Rare-earth supply chains remain highly concentrated, particularly for magnet rare earths used in electric vehicles, wind turbines, industrial motors, AI data centres and defence applications. According to the IEA's latest 2026 assessment, China continues to dominate the global rare earth supply chain, accounting for around 60% of global mined production of magnet rare earths, more than 90% of refined output, and almost 95% of permanent magnet production[6].

[6] https://www.iea.org/news/new-projects-partnerships-and-policies-are-needed-to-address-supply-chain-risks-for-rare-earth-elements

India Macroeconomic Analysis

The global economy is expected to navigate a more challenging environment as it enters CY 2026. According to the IMF's World Economic Outlook (April 2026), global growth is projected to moderate from **3.4% in CY 2025 to 3.1% in CY 2026**, reflecting weaker economic momentum across several major economies, persistent geopolitical uncertainties, and the lingering effects of global trade disruptions. Growth in advanced economies remains subdued, with the United States expected to expand at a modest pace of around **2.3% in CY 2026**, while China is projected to witness a gradual slowdown to **4.4% in CY 2026 and 4.0% thereafter**, highlighting structural challenges in the world's second-largest economy.

Country	CY 2020	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025	CY 2026 P	CY 2027 P	CY 2028P
India[7]	–5.8%	9.7%	7.6%	9.2%	7.1%	7.7%	6.4%	6.7%	6.5%
China	2.3%	8.6%	3.1%	5.4%	5.0%	5.0%	4.6%	4.1%	4.0%
United States	-2.2%	6.1%	2.5%	2.9%	2.8%	2.1%	2.3%	2.2%	2.1%
Japan	-4.2%	2.7%	0.9%	1.4%	-0.2%	1.1%	0.6%	0.7%	0.6%
United Kingdom	-10.3%	8.6%	4.8%	0.4%	1.0%	1.4%	1.0%	1.3%	1.6%
Russia	-2.7%	5.9%	-1.4%	4.1%	4.9%	1.0%	1.1%	1.1%	1.0%
Germany	-4.1%	3.9%	1.8%	-0.9%	-0.5%	0.2%	0.7%	1.0%	1.2%

Source: World Economic Outlook, July 2026[8]

Note: The data presented till CY 2027P are taken from the IMF's July 2026 World Economic Outlook (WEO) and the CY2028 data are sourced from the IMF World Economic Outlook Database.[9]

Growth across major economies is expected to remain mixed. The United States is projected to grow by 2.3% in CY 2026 and 2.2% in CY 2027, while China is expected to expand by 4.6% in CY 2026 and 4.1% in CY 2027. Among other major economies, Germany is projected to grow by 0.7% in CY 2026 and 1.0% in CY 2027, while Japan is expected to expand by 0.6% and 0.7%, respectively. The United Kingdom is projected to grow by 1.0% in CY 2026 and 1.3% in CY 2027, while Russia is forecast to grow by 1.1% in both years. Against this backdrop, India continues to stand out as one of the fastest-growing major economies globally. The IMF projects India's growth at 7.7% in CY 2025, 6.4% in CY 2026, 6.7% in CY 2027 and 6.5% in CY 2028.

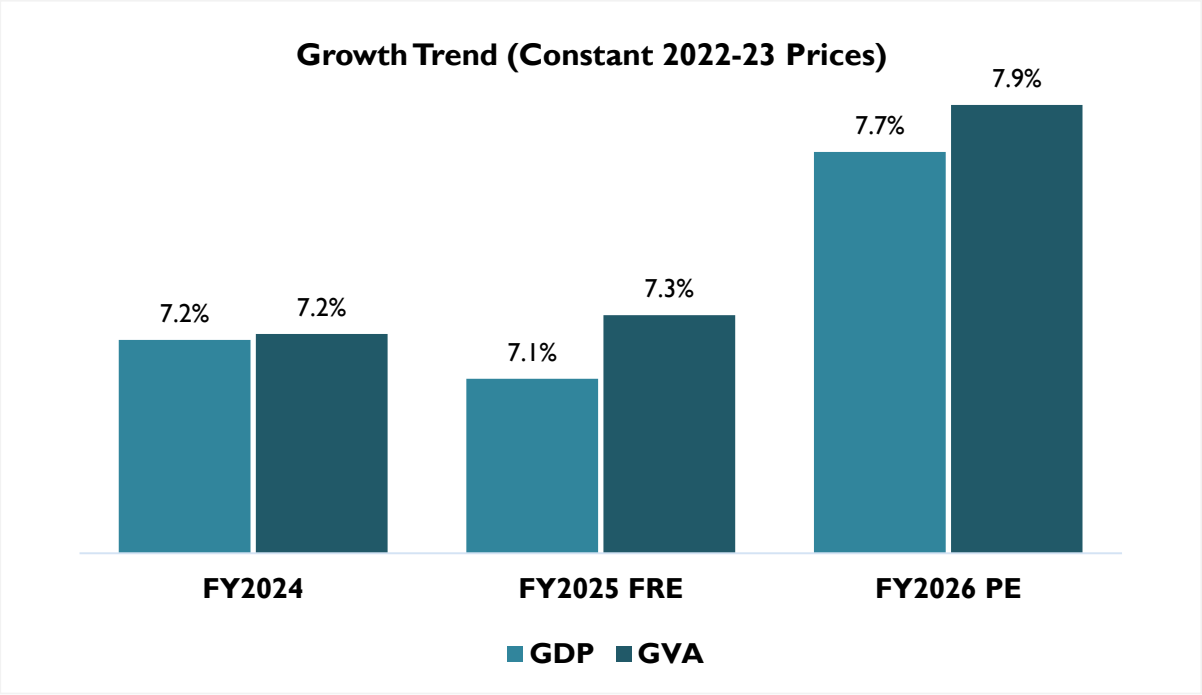
[8] https://www.imf.org/-/media/files/publications/weo/2026/update/july/english/text.pdf
[9] https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD

India's growth trajectory is underpinned by a broad-based expansion across key sectors of the economy. The country's large domestic market, favourable demographics, increasing urbanization, growing middle-income population and expanding industrial base continue to support economic activity. In addition, structural reforms, infrastructure development initiatives and efforts to strengthen domestic manufacturing capabilities have contributed to enhancing India's long-term growth potential.

India GDP & GVA Growth Trend

India's macroeconomic setting in FY 2026 is broadly expansionary, providing a supportive demand and supply environment for the cotton yarn sector, even as input-cost inflation, a sharply weaker rupee, and a contraction in wearing-apparel factory output create operating pressure. Real GDP is estimated to have expanded by **7.7%** in FY 2025-26, driven by accelerating private consumption, sustained investment, and a broad-based manufacturing recovery. As per Provisional Estimates, India Real GDP (GDP at constant prices) for FY 2025–26 is estimated to reach INR 323.12 trillion, compared to the First Revised Estimate (FRE) of INR 299.89 trillion for FY 2024–25. This represents a growth rate of 7.7% in 2025–26, higher than the 7.1% growth recorded in 2024–25.

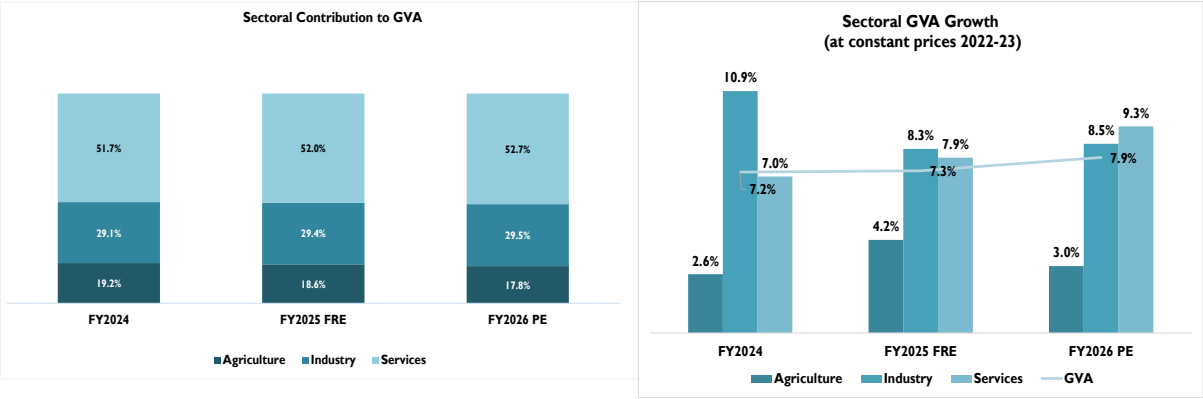
Similarly, Real GVA for FY 2025–26 is estimated to reach INR 294.91 trillion, up from INR 273.36 trillion in FY 2024–25. This indicates a growth rate of 7.9%, compared with the 7.3% growth achieved in the previous year.



Source: Ministry of Statistics & Programme Implementation (MOSPI), National Account Statistics: FY2025,

FRE is First Revised Estimate; PE is Provisional Estimates

Sectoral Contribution to GVA and Annual Growth Trend



Source: Ministry of Statistics & Programme Implementation (MOSPI), CMIE Economics Outlook
FRE is First Revised Estimate; PE is Provisional Estimates[10]

Sectoral analysis of GVA reveals that the industrial sector experienced steady growth momentum in FY 2026, recording a 7.9% y-o-y growth against 7.3% year-on-year growth in FY 2025. Within the industrial sector, Manufacturing gross value added (GVA) grew by 10.7% in FY 2025-26, reinforcing a strong demand pipeline for intermediate fibres across apparel, technical textiles, and nonwovens. However, growth in mining and construction activities moderated to 5.15%, and 7.36%, respectively in FY 2026, compared to 11.69%, and 7.30% in FY 2025. Growth in the utilities sector too moderated to 1.74% in FY 2026 from 2.87% in the previous year. The industrial sector's contribution to GVA increased marginally from 29.4% in FY 2025 to 29.5% in FY 2026.

The services sector continued to be the main driver of economic growth. It expanded by 9.3% in FY 2026 from 7.9% in FY 2025. The services sector retained its position as the largest contributor to GVA, rising from 51.7% in FY 2024 to 52.0% in FY 2025, with a further increase to 52.7% in FY 2026.

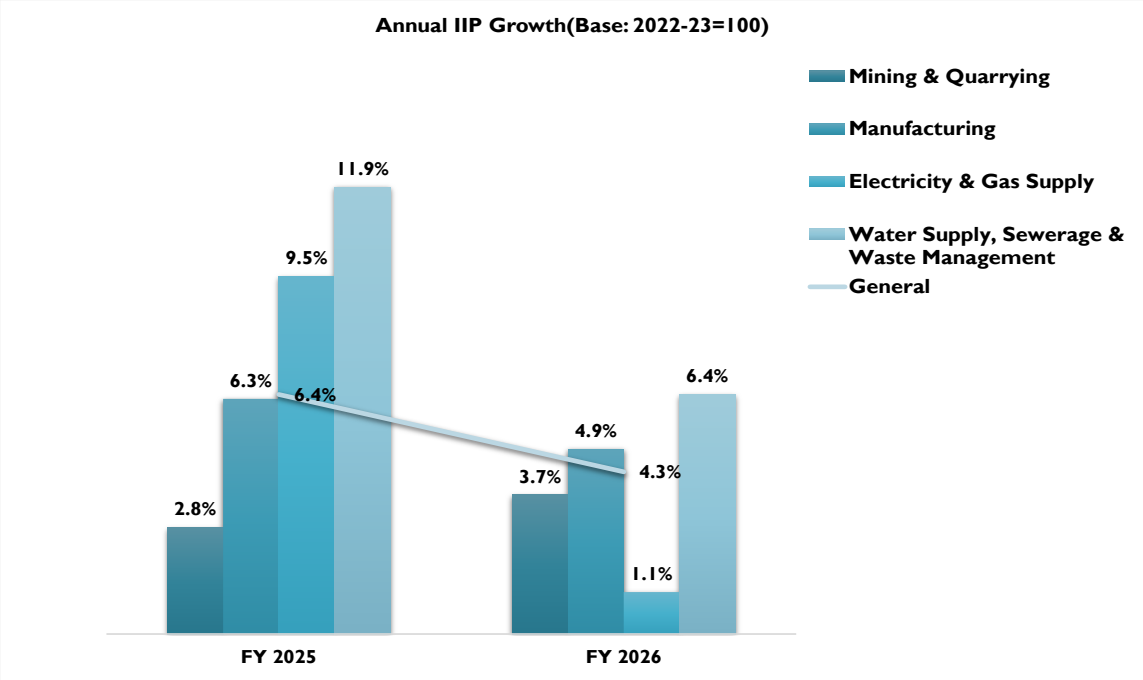
The agriculture sector saw an acceleration in growth, increasing from 2.66% in FY 2024 to 4.18% in FY 2025, before moderating to 3.0% in FY 2026. However, its contribution to GVA declined marginally from 19.2% in FY 2024 to 17.8% in FY 2026. Overall, Gross Value Added (GVA) growth rose to 7.9% in FY 2026 from 7.3% in FY 2025.

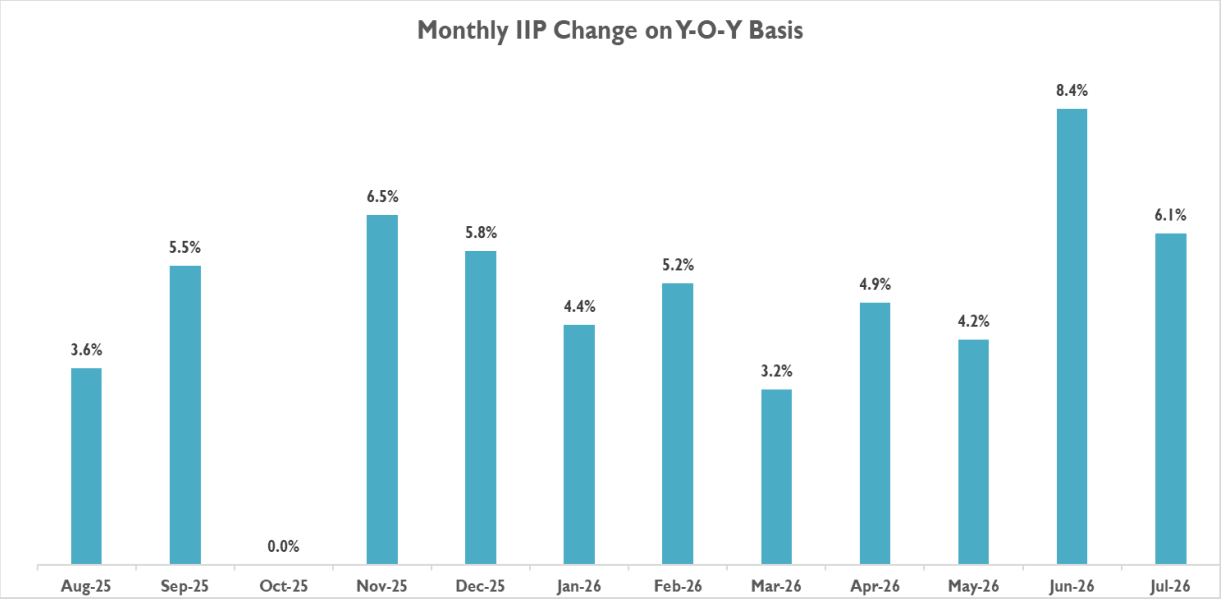
Annual & Monthly IIP Growth

Industrial sector performance as measured by the IIP index exhibited moderation in FY 2026, recording a 4.3% y-o-y growth against 6.4% increase in the previous year. The manufacturing index showed moderation,

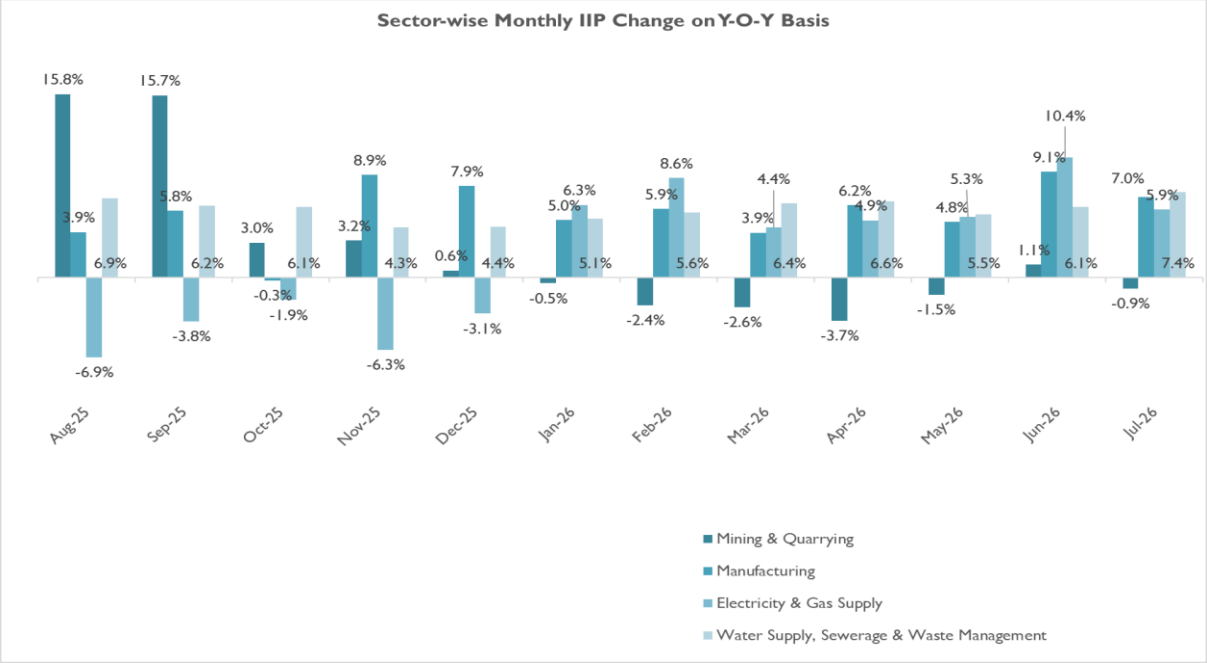
[10] https://www.mospi.gov.in/uploads/latestReleases/latest_release_1780655857536_5ac01869-ca4a-422d-b7a7-57b81da60932_Press_Note_on_GDP_Estimates_for_Q4_2025-26_and_PE_FY_2025-26_F.pdf

increasing by 4.9% in FY 2026 compared with 6.3% in FY 2025. The Electricity & Gas Supply sector index also moderated, growing 1.1% in FY 2026 compared with 9.5% in the previous year. Water Supply, Sewerage & Waste Management also moderated by 6.4% in FY 2026 compared with 11.9% in the previous year, while the mining sector index grew by 3.7% in FY 2026 compared with 2.8% in the previous year.





Source: Ministry of Statistics & Programme Implementation (MOSPI)

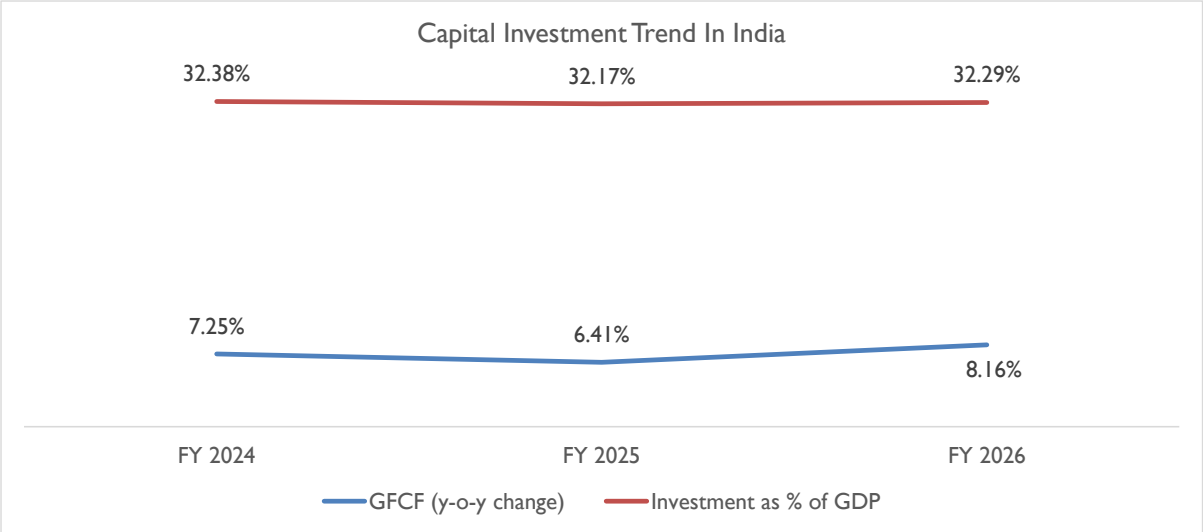


Source: Ministry of Statistics & Programme Implementation (MOSPI)

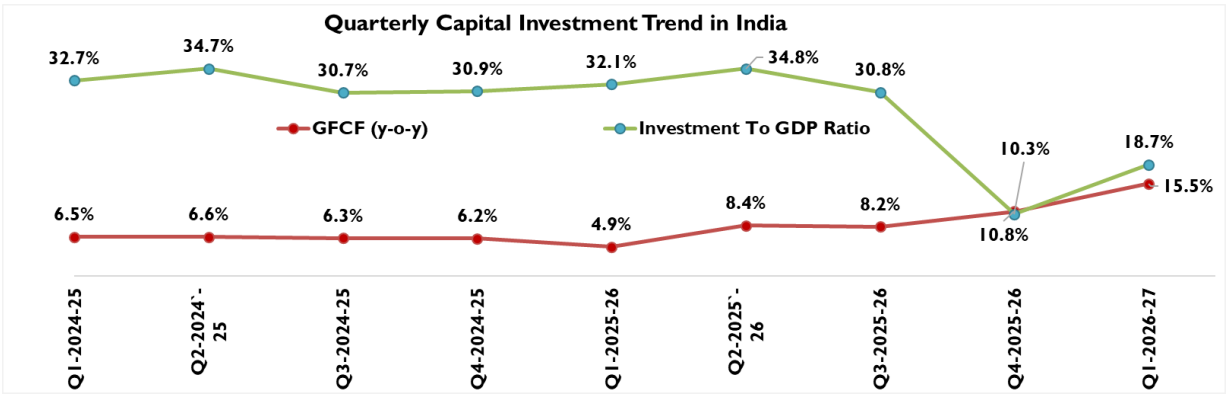
In the latest month shown, July 2026, IIP growth stood at 6.1% y-o-y, compared with 4.2% in May and 8.4% in June 2026. Sector-wise, Mining & Quarrying declined by 0.9%, while Manufacturing grew by 7.0%, Electricity & Gas Supply by 5.9%, and Water Supply, Sewerage & Waste Management by 7.4% in July 2026.

Annual and Quarterly: Investment & Consumption Scenario

Other major indicators, such as Gross Fixed Capital Formation (GFCF), a measure of investment, increased during FY 2026, registering 8.16% year-on-year growth compared with 6.41% in FY 2025, bringing the GFCF-to-GDP ratio to 32.29%.



Source: Ministry of Statistics & Programme Implementation (MOSPI), CMIE Economics Outlook

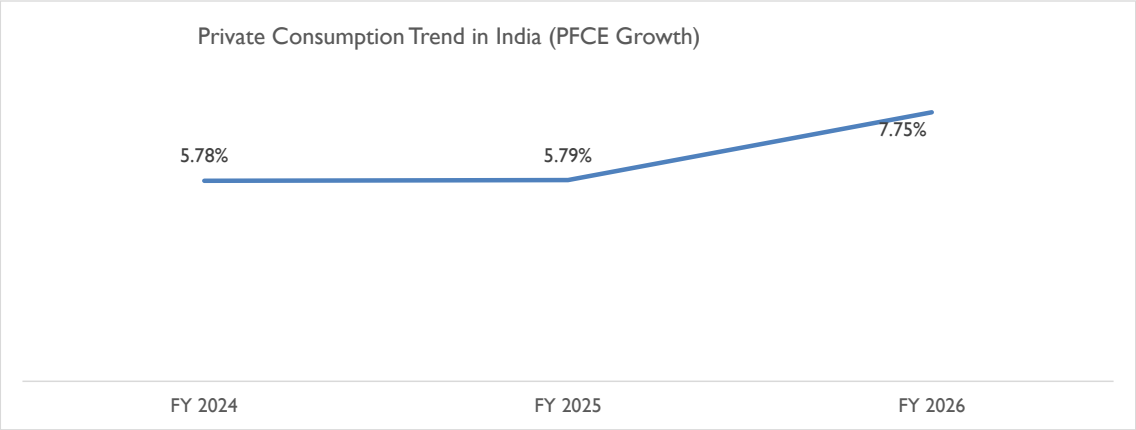


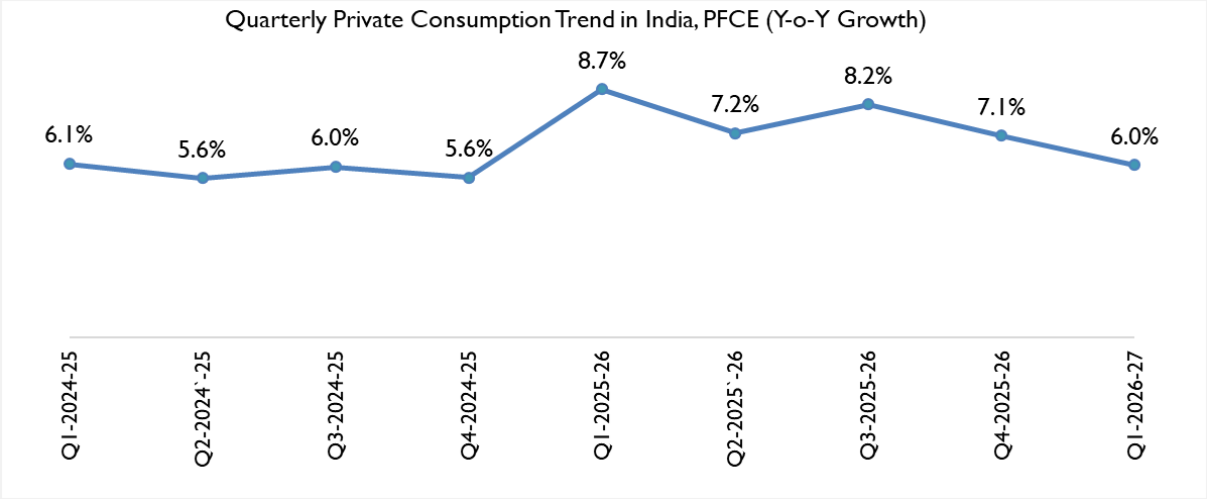
Source: Ministry of Statistics & Programme Implementation (MOSPI), CMIE Economics Outlook

On a quarterly basis, India's capital investment indicators reflect a mixed but resilient investment environment, with the Investment-to-GDP ratio remaining relatively strong through most of the period, while GFCF growth showed significant fluctuations. The Investment-to-GDP ratio increased from 32.7% in Q1 FY 2024-25 to 34.7% in Q2, before moderating to 30.7% in Q3 and 30.9% in Q4. In FY 2025-26, the ratio improved to 32.1% in Q1 and further strengthened to 34.8% in Q2, the highest level recorded during the period. It subsequently moderated to 30.8% in Q3 and 10.3% in Q4, before increasing to 18.7% in Q1 FY 2026-27. This indicates a revival investment intensity in the latest quarters.

GFCF (y-o-y) growth remained broadly stable during FY 2024-25, ranging between 6.2% and 6.6%, before declining to 4.9% in Q1 FY 2025-26. Growth then accelerated significantly to 8.4% in Q2 and 8.2% in Q3, reaching 10.8% in Q4 FY 2025-26. However, the momentum picked up with GFCF growth increasing to 15.5% in Q1 FY 2026-27. Overall, while the earlier period reflects strengthening fixed capital formation and improved investment momentum.

Private Consumption Scenario





Sources: MOSPI, CMIE Economics Outlook

Private Final Consumption Expenditure (PFCE), a practical proxy for household spending, recorded growth in FY 2026 relative to FY 2025. PFCE recorded healthy growth in FY 2025-26 relative to FY 2024-25.

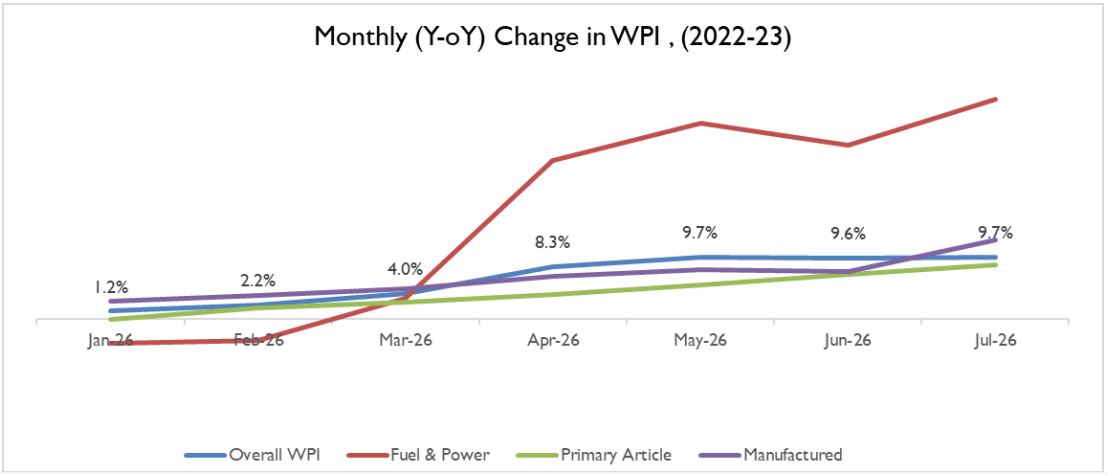
PFCE growth stood at 6.1% in Q1 FY 2024-25, before moderating slightly to 5.6% in Q2, rising to 6.0% in Q3 and easing again to 5.6% in Q4. In FY 2025-26, consumption growth strengthened significantly to 8.7% in Q1, before moderating to 7.2% in Q2 and recovering to 8.2% in Q3. Growth then eased to 7.1% in Q4 FY 2025-26 and further moderated to 6.0% in Q1 FY 2026-27.

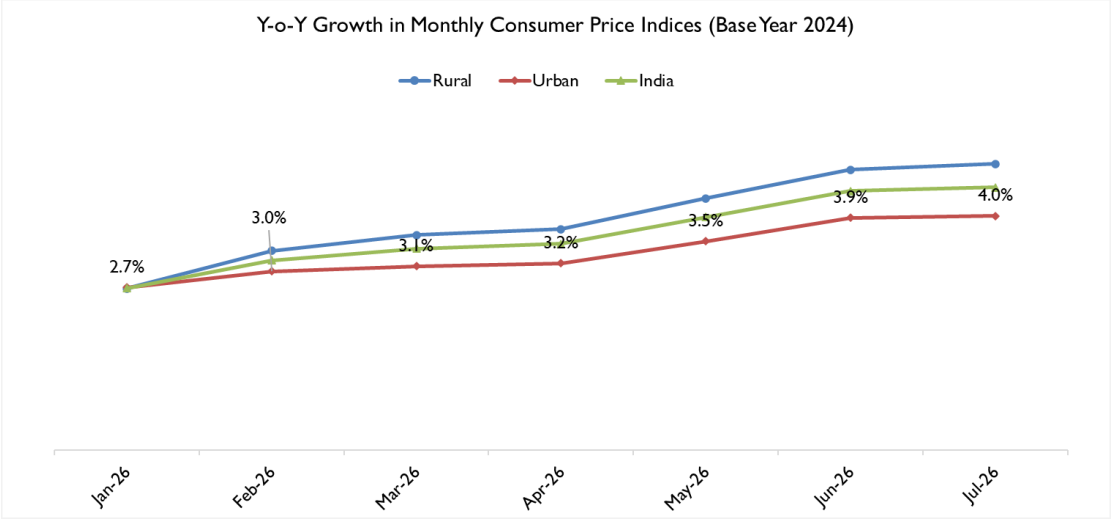
Overall, the data indicates that private consumption remained a key driver of domestic economic activity, with PFCE growth consistently above 5% and recording particularly strong momentum during FY 2025-26. However, the moderation to 6.0% in Q1 FY 2026-27 suggests some easing in household consumption momentum compared with the stronger growth recorded during the preceding quarters.

Inflation Scenario

All India Wholesale Price Index (WPI) inflation for July 2026 is 9.7 per cent on a year-on-year (YoY) basis, compared to 9.6 per cent in June 2026. The index for All Commodities for July 2026 stands at 109.7, whereas it was 109.6 in June 2026. Across Groups, 'Mineral Oils (containing Petroleum Products)', 'Crude Petroleum and Natural Gas', 'Manufacture of Chemicals and Chemical Products', and 'Manufacture of Basic Metals' continued to be major drivers of WPI inflation in June and July 2026.

Across the regions, YoY inflation for Rural, Urban, and India stood at 1.03 per cent, 0.71 per cent, and 0.94 per cent, respectively, in July 2026, compared with 7.24 per cent, 6.69 per cent, and 7.00 per cent, respectively, in June 2026. The indices for Rural, Urban, and India were 108.34, 107.45, and 107.94, respectively, in July 2026, compared with 107.24, 106.69, and 107.00, respectively, in June 2026.



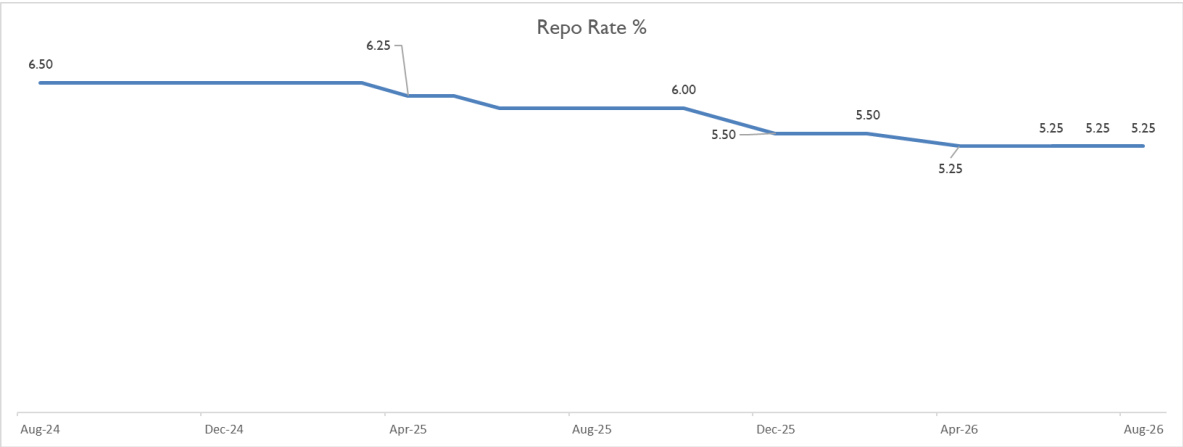


Source: MOSPI, Office of Economic Advisor[11]

[11] With effect from January 2026, the National Statistics Office (NSO) introduced a revised CPI series with base year 2024=100, drawing revised item weights from the Household Consumption Expenditure Survey (HCES) 2023-24.

Under the revised series, All India CPI inflation increased gradually from 2.7% in January 2026 to 4.0% in July 2026. Inflation rose from 3.0% in February to 3.1% in March and 3.2% in April, before accelerating to 3.5% in May, 3.9% in June and 4.0% in July. The trend indicates a steady pick-up in retail inflation during the first half of 2026, following relatively subdued price pressures at the beginning of the year. Rural inflation remained higher than urban inflation during the period, with the gap widening toward the latest months, indicating relatively stronger price pressures in rural areas.

With inflation moderating below target and growth requiring support, the RBI's Monetary Policy Committee (MPC) commenced an easing cycle in February 2025, delivering a cumulative 125 basis points of rate cuts through four reductions — 25 bps each in February 2025, April 2025, and December 2025, and a larger 50 bps cut in June 2025 — interspersed with pauses in August and October 2025. The repo rate currently stands at 5.25%, in August026. Reduction in repo rate is expected to have improved credit flow and working-capital affordability for garment manufacturers.



Sources: CMIE Economic Outlook

INR-USD Trend and Export Implications

The Indian rupee depreciated from an average of approximately INR 85 per USD in FY 2024-25 to INR 88.3 per USD on average in FY 2025-26, hitting an all-time low of approximately INR 95 per USD by late March 2026, driven by significant foreign portfolio investor outflows and heightened financial market volatility. The RBI reference rate reached a record high of INR 96.844 per USD on 20 May 2026, and stood at INR 95.260 per USD as of 3 August 2026, implying a depreciation of approximately 12% from the FY 2024-25 annual average. For cotton yarn exporters with USD-denominated order books, this movement meaningfully improves realisation in rupee terms, partially offsetting margin pressure from rising domestic input costs. However, it simultaneously raises the landed cost of imported raw materials, cotton fibres, accessories, machinery components, and requires active hedging management environment.

Growth Outlook

Looking ahead, real GDP growth is projected to moderate to 6.6% in FY 2027[12], attributed to headwinds from geopolitical uncertainty and its effects on trade and capital flows, before rebounding to 7.2% in FY 2027-28, while the Economic Survey projects FY 2026-27 growth in the range of 6.8-7.2%, with India's potential growth estimated at around 7%. Industry GVA is projected to grow 7.5% and services GVA 7.5% in FY 2027, sustaining a supportive backdrop for manufacturing capacity and consumer spending. CPI inflation is projected to rise to 4.9% in FY 2027 before moderating to 4.4% in FY 2028, implying a sustained period of elevated input costs for cotton yarn and garment manufacturers alongside a tighter real-income environment for domestic consumers. Labour market conditions remain constructive: total employment stood at 56.2 crore[13] persons in Q2 FY 2025-26 with approximately 8.7 lakh net new jobs added quarter-on-quarter, the unemployment rate declined to 4.8% in December 2025. These indicators support both the domestic garment consumer base and the sector's capacity for workforce expansion.

Overall, the Indian macroeconomic environment in FY 2025-26 is constructive for the textile sector at the aggregate level, with expanding GDP growth, private consumption and accelerating MSME credit, all creating a demand and operating environment capable of sustaining apparel[14] production. However, the sector faces meaningful headwinds that are expected to limit the pace of conversion into margin and volume gains: wearing-apparel factory output contracted 7.4% in cumulative April-June FY 2026-27 under the weight of reduced export orders; wholesale textile inflation reached 10.22%[15] while garment WPI remained subdued at 4.28%, confirming a margin squeeze; and the rupee's depreciation to approximately INR 95 per USD, while beneficial for export realisations, raises imported input costs and heightens hedging needs. The medium-term trajectory is expected to remain broadly positive, underpinned by India's structural consumption growth, an accommodative monetary policy stance, improving credit availability, and a growing organised workforce.

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[12] https://thedocs.worldbank.org/en/doc/4262e1e15b463ecb360cec4ad78cf062-0310012026/original/April-2026-India-Development-Update.pdf#page=38

[13] https://www.pib.gov.in/PressReleasePage.aspx?PRID=2220800&lang=2&reg=3#:~:text=to%20September,to%20June

[14] Garment refers to to an individual item of clothing such as such as a shirt, a T-shirt, a skirt, or a pair of jeans and is a part of broader apparel industry. Apparel, on the other hand, is a broader term that encompasses all types of clothing, including garments, as well as fashion accessories and other items worn or carried by consumers. In addition to garments, apparel may include products such as bags, caps, scarves, gloves, footwear and other textile-based accessories.

[15] https://www.pib.gov.in/PressReleasePage.aspx?PRID=2272872&reg=3&lang=1

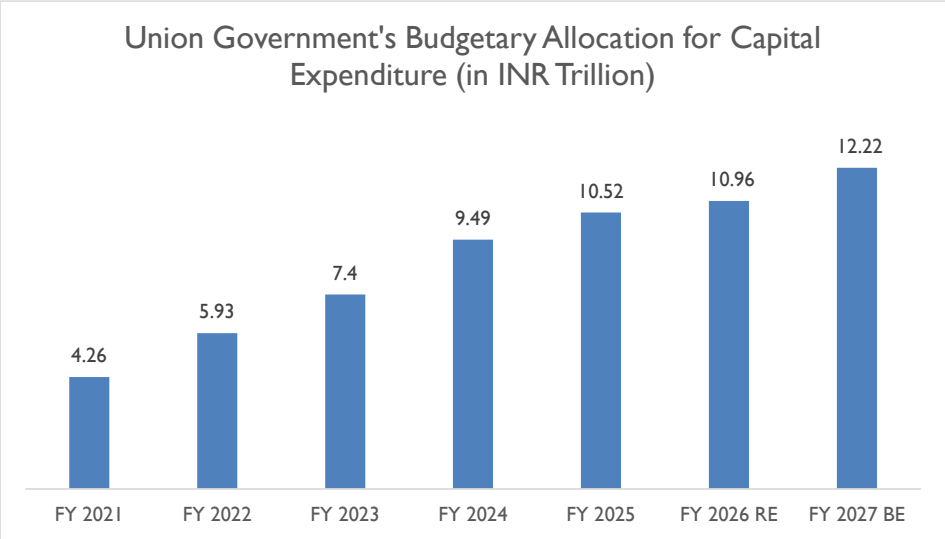
Key Growth/Demographic Drivers for Economic Growth

Government focus on infrastructure development

The infrastructure sector has received a strong boost in Budget FY'27, marked by a record INR 12.2 trn[16] public capital expenditure allocation, reinforcing the government's focus on making assets more efficient and sustainable. The introduction of the landmark Infrastructure Risk Guarantee Fund aims to provide partial credit guarantees to lenders and revitalise private sector participation in large-scale projects. By lowering project risk premiums and easing borrowing costs, this mechanism is likely to help crowd in private capital and accelerate construction phase financing across the sector. The transport and logistics sector, in particular, will buoy infrastructure growth. Railways have received a substantial boost in allocation, which will help support the planned development of seven new high-speed rail corridors and a Dankuni-Surat DFC[17], which aims to cut logistics costs and improve national connectivity. Moreover, the rollout of 20 new National Waterways, new ship repair hubs and a scheme to double the share of coastal and inland water transport from 6.0% to 12.0% by 2047[18] will together build a greener, more efficient multimodal freight network. Urban transformation continues through targeted development of Tier-2 and Tier-3 cities – with populations over 0.5mn – alongside the creation of City Economic Regions, each supported by multi-year, challenge-based financing to establish new growth hubs and reduce pressure on metros. A broader ecosystem of reforms strengthens medium-term sector prospects. The government aims to scale domestic construction and infrastructure equipment manufacturing, reducing import dependence and improving execution capability in tunnelling, metro construction and road building machinery. The monetisation of CPSE assets will be accelerated through dedicated REIT[19] structures, helping unlock liquidity for redevelopment and new project pipelines. Additional support flows through region-specific initiatives, such as industrial corridor expansion, and tourism development in cultural and Buddhist heritage zones will further reinforce construction demand.

Together, these measures will strengthen India's infrastructure ecosystem through higher public investment, improved risk mitigation tools and wider multimodal connectivity – creating a constructive environment for sustained growth in construction, logistics and urban development.

[16] https://www.pib.gov.in/PressReleasePage.aspx?PRID=2222521&reg=3&lang=1#:~:text=Reinforcing%20the%20role%20of%20public,productive%20capacity%20across%20the%20economy.
[17] https://prsindia.org/budgets/parliament/demand-for-grants-2026-27-analysis-railways
[18] https://www.pib.gov.in/PressReleasePage.aspx?PRID=2221817&reg=3&lang=1
[19] https://www.hindustantimes.com/real-estate/budget-2026-eyes-dedicated-reits-for-cpse-asset-monetisation-what-it-means-for-investors-101769942312710.html#google_vignette



Union Budget, Government of India
Note: BE (Budget Estimates) and RE (Revised Estimates)

Development of Domestic Manufacturing Capability

India's industrial landscape is undergoing a transformative journey, fuelled by ambitious government initiatives like "Make in India" and rapid economic growth. Amidst this transformation, the industrial construction segment stands as a key driver, laying the foundation for factories, power plants, logistics hubs, and other crucial infrastructure. Government spending on infrastructure development, rising automation in manufacturing, and expansion of sectors like chemicals, pharmaceuticals, and electronics fuel the demand for state-of-the-art industrial facilities. The China Plus One strategy is an approach adopted by companies and countries to diversify their supply chains away from excessive reliance on China as a manufacturing and sourcing hub. The strategy emerged as a response to various factors, including rising labour costs in China, geopolitical tensions, trade uncertainties, and the need to mitigate risks associated with being overly dependent on a single country for production and sourcing.

India, being one of the largest economies in the world and home to a vast workforce and diverse manufacturing capabilities, has been actively leveraging the China Plus One strategy to attract investments and businesses looking to diversify their supply chains away from China.

India's vision of becoming 'Atmanirbhar' (self-reliant) and enhancing its manufacturing capabilities and exports has led to significant efforts and investment in the form of Production Linked Incentives (PLI) schemes. The incentives offered by the government, such as tax breaks and regulatory reforms, make India an attractive destination for businesses seeking to move their production from China to India. This proactive approach has further strengthened India's position as a preferred manufacturing base under the China Plus One strategy. Additionally, The Indian government's commitment to creating a business-friendly environment has resulted in increased foreign direct investment (FDI) inflows in the country over the years.

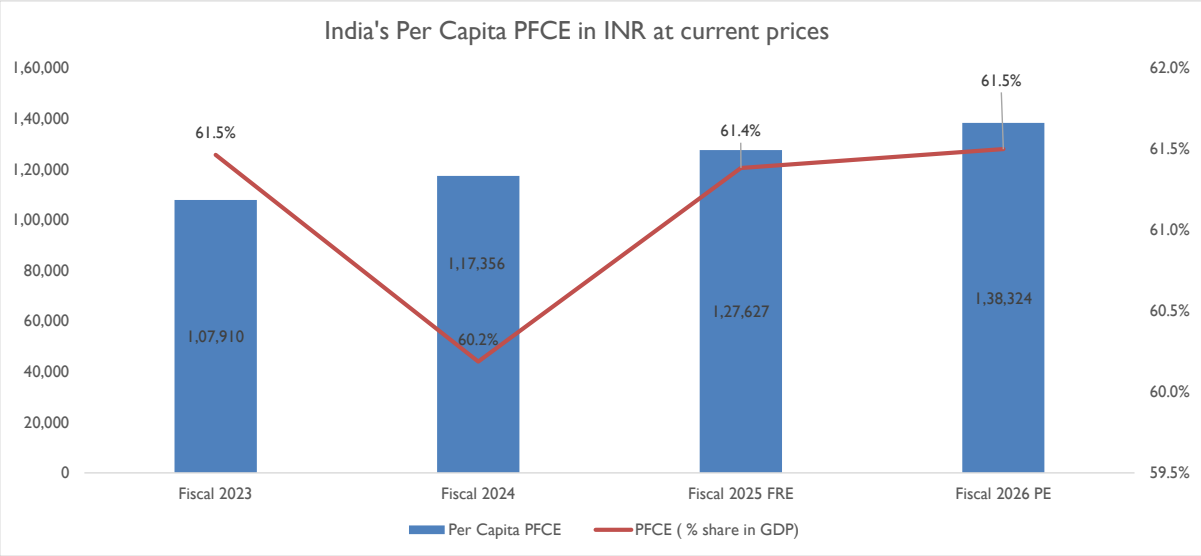
Moreover, India has signed multiple Free Trade Agreements (FTAs) and recently signed a major trade deal with European Union and USA in early 2026, which are expected to open up further export opportunity driving the industrial sector expansion in India.

Strong Domestic Demand

Domestic demand has traditionally been one of the key drivers of the Indian economy. After a brief lull caused by the Covid-19, domestic demand is recovering. Consumer Confidence surveys by the Reserve Bank and other institutions point to an improvement in the Consumer Confidence Index, which is a precursor of improving demand. India has a strong middle-class segment, which has been the major driver of domestic demand. Factors like fast paced urbanization and improving income scenario in rural markets are expected to accelerate domestic demand further. This revival is reflecting in the private final consumption expenditure (PFCE) metric.

India's per capita Private Final Consumption Expenditure (PFCE) at current prices has shown a consistent upward trend, indicating steady improvement in household consumption levels over the years. Per capita PFCE increased from INR 1,07,910 in Fiscal 2023 to INR 1,17,356 in Fiscal 2024 and further rose to INR 1,27,627 in Fiscal 2025 FRE. It is estimated to increase further to INR 1,38,324 in Fiscal 2026 FE, reflecting continued growth in consumer spending and improving consumption capacity.

PFCE as a share of GDP also remained healthy during the period, broadly staying above 60%. The share stood at 61.5% in Fiscal 2023, moderated to 60.2% in Fiscal 2024, before recovering to 61.4% in Fiscal 2025 FRE and further improving to 61.5% in Fiscal 2026 FE. This indicates that private consumption continues to remain a key driver of India's economic growth. Overall, the steady increase in per capita PFCE, along with a stable PFCE share in GDP, reflects resilient household demand and sustained consumption momentum in the economy.

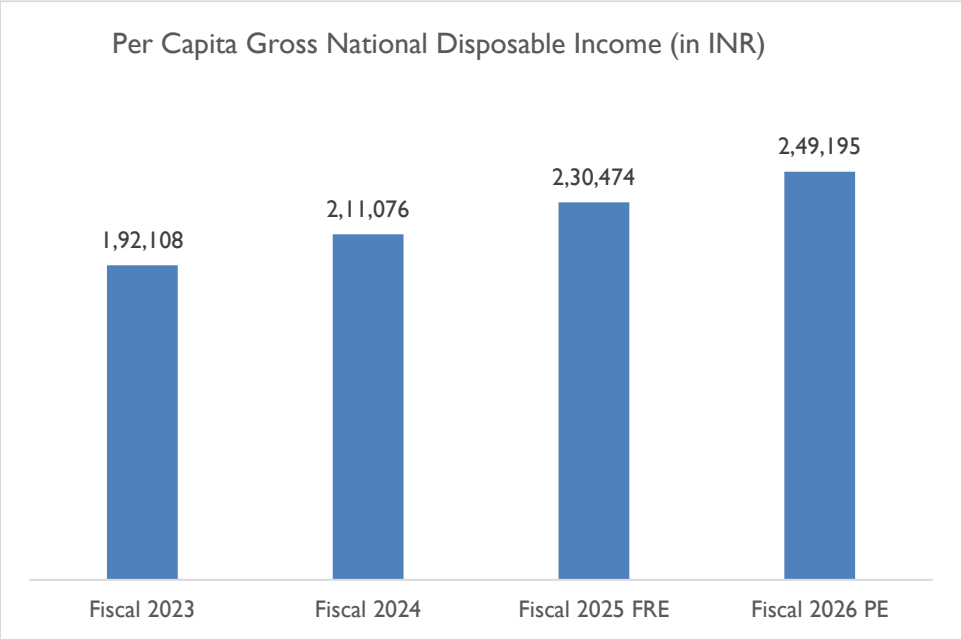


Source: Ministry of Statistics & Programme Implementation (MOSPI)
Note: FRE is First Revised Estimate; PE is Provisional Estimates

There are two factors driving this domestic demand: first, the large pool of consumers; and second, the improvement in purchasing power.

- The share of middle class increased from nearly 14% in 2005 to nearly 30% in 2021 and is expected to cross 60% by 2047 [20]. This expanding middle class household segment is fuelling India's growth story and would continue to play a key role in propelling India's economic growth.
- Consumer-driven domestic demand is majorly fuelled by this growth in per capita income. As per National Statistics Office (NSO), India's per capita Gross National Disposable Income (GNDI) has shown a steady upward trend, reflecting improvement in overall income levels and disposable income capacity. Per capita GNDI increased from INR 1,92,108 in Fiscal 2023 to INR 2,11,076 in Fiscal 2024 and further rose to INR 2,30,474 in Fiscal 2025 FRE. It is estimated to increase further to INR 2,49,195 in Fiscal 2026 PE, indicating continued growth in income levels across the economy. The consistent rise in per capita GNDI highlights strengthening purchasing power and improving household income conditions, which can support consumption demand going forward. Overall, the trend reflects a positive income environment, with rising disposable income expected to contribute to sustained private consumption and broader economic growth.

[20] As per the survey conducted by People Research on India's Consumer Economy. Households with annual income in the range of INR 5 – 30 lakhs are considered as middle-class households.



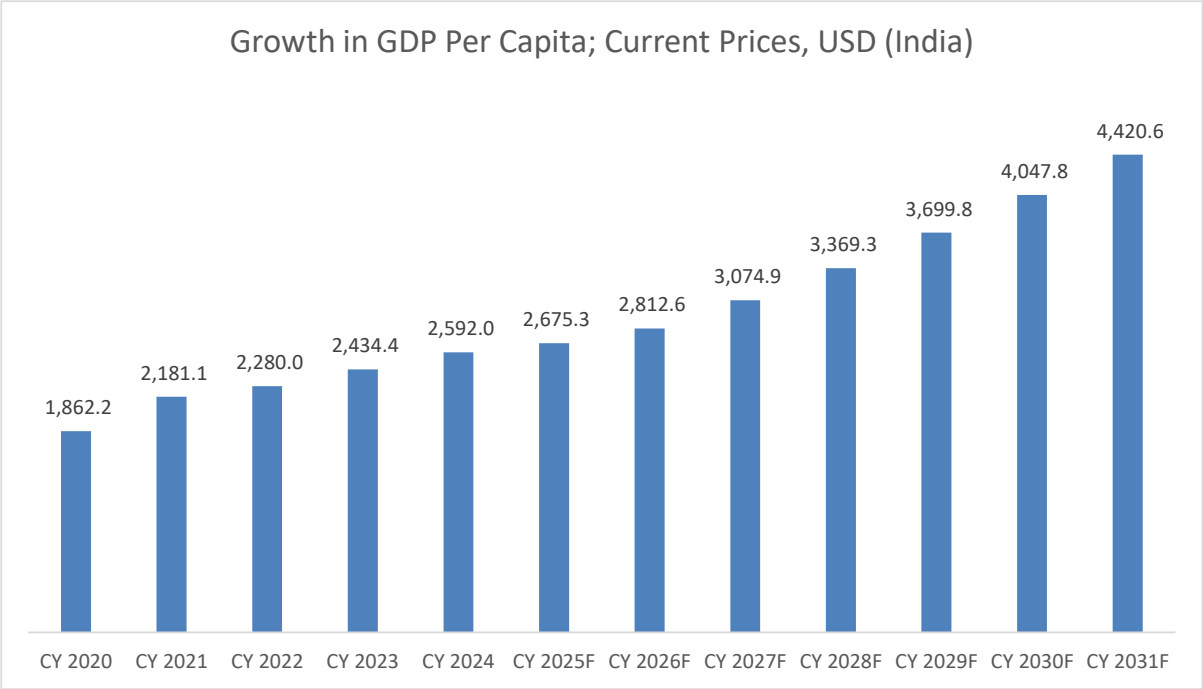
Source: Ministry of Statistics & Programme Implementation (MOSPI)

FRE is First Revised Estimate; PE is Provisional Estimates

India's Per Capita GDP Trends

India is poised to become the world's third-largest economy with a projected GDP of USD 5 trillion within the next three years, driven by ongoing reforms. As one of the fastest-growing major economies, India currently holds the position of the fifth-largest economy globally, following the US, China, Japan, and Germany. By 2027-28, it is anticipated that India will surpass both Germany and Japan, reaching the third-largest spot. This growth is bolstered by a surge in foreign investments and a wave of new trade agreements with India's burgeoning market of 1.4 billion people. The aviation industry is witnessing unprecedented orders, global electronics manufacturers are expanding their production capabilities, and suppliers traditionally concentrated in southern China's manufacturing hubs are now shifting towards India.

To achieve its vision of becoming the world's third-largest economy by 2027-28, India will need to implement transformative industrial and governmental policies. These policies will be crucial for sustaining the consistent growth of the nation's per capita GDP over the long term.

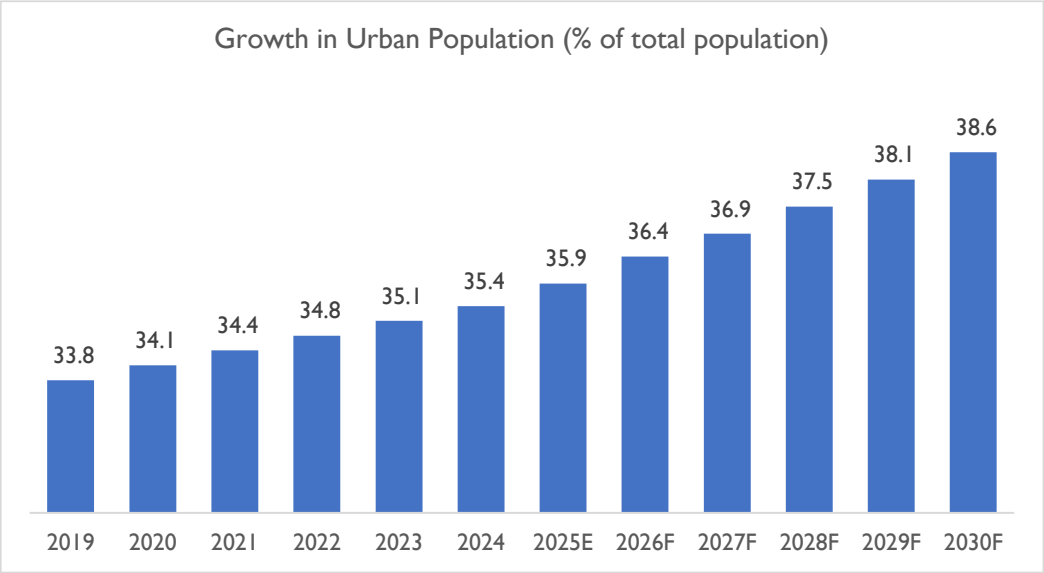


Source: IMF

From CY 2024 to CY 2031, India's per capita GDP is projected to grow at a compound annual growth rate of 7.9%. This growth will be driven by the service sector, which now accounts for over 50% of India's GDP, marking a significant shift from agriculture to services.

Access to Huge Population Base and Urbanisation

India became the world's most populous country, with an estimated population of **1.46 billion in 2025**. Further, India's population is expected to increase to 1.52 billion during between 2025-36 - an increase of 25% in twenty- five years at the rate of 1.0 percent annually. As per the Handbook of Urban Statistics 2022, India's urban population has been on a steady rise. Urban dwellers accounted for over 469 million in 2021 and are projected to rise to over 558 million by 2031 and further exceed 600 million by 2036.



Source: World Bank,[21] Dun & Bradstreet Research and Estimates

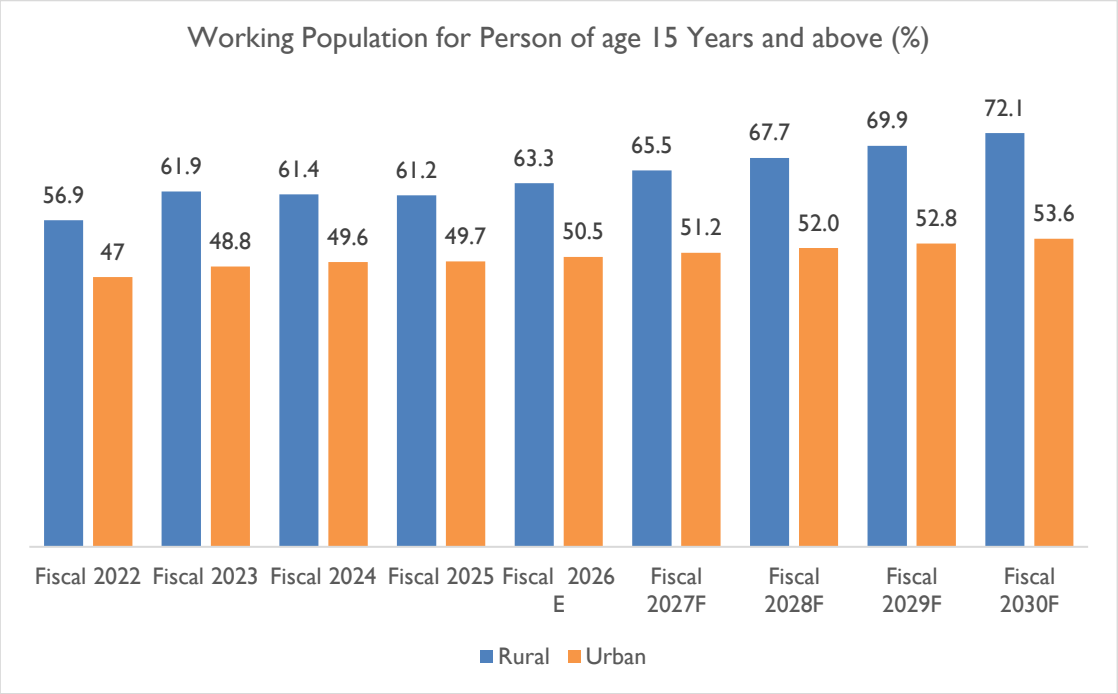
The share of urban population in total population has been rising steadily. In 2019, 33.81% of the total population was urban. By 2025, it had reached 35.9%, showing an increase over a span of five years of about 2.10%. The share of urban population is further forecasted to cross 38.6% by 2030. This increase in urban population is set to demand drastic changes in infrastructure development. Cities are a major driver for the construction industry. With cities expanding rapidly, there will be an increased need for improved housing, water supply, sewage systems, and electricity. Urban planning will need to account for higher population densities, necessitating the development of smart cities with integrated technology for efficient management of resources and services. The Smart Cities Mission targeted at 100 cities is aimed at improving the quality of life through modernised, technology-driven urban planning. This transformation will also require significant investment in public health, education, and recreational facilities to enhance the quality of urban living. The surge in urban population will also propel demand for improvement in multimodal transport infrastructure for freight and passenger travel requirements.

Rural vs. Urban Working Population by Age Group

As India continues to experience economic growth and development, the working population in both rural and urban areas is increasing. In the case of the urban population, this growth is reflected in the increase from a share of 47% in FY22 to 49.7% in FY25, whereas in rural areas, it grew from 56.9% in FY22 to 61.2% in FY25.

[21] https://data.worldbank.org/indicator/SP.URB.TOTL.IN.ZS?end=2022&locations=IN&skipRedirection=true&start=1960&view=chart

This growth is driven by a combination of factors, including demographic changes, economic policies, and the expansion of various industries. The rise in employment opportunities across sectors such as agriculture, manufacturing, services, and information technology has contributed to the overall increase in the working population, thereby fostering economic stability and enhancing the standard of living for many Indians.



Source: Periodic Labour Force Survey (PLFS) Annual Report, Dun & Bradstreet Research and Estimates
Note: 2025 refers to the period January 2025 – December 2025 and likewise for 2024, 2023 and 2022

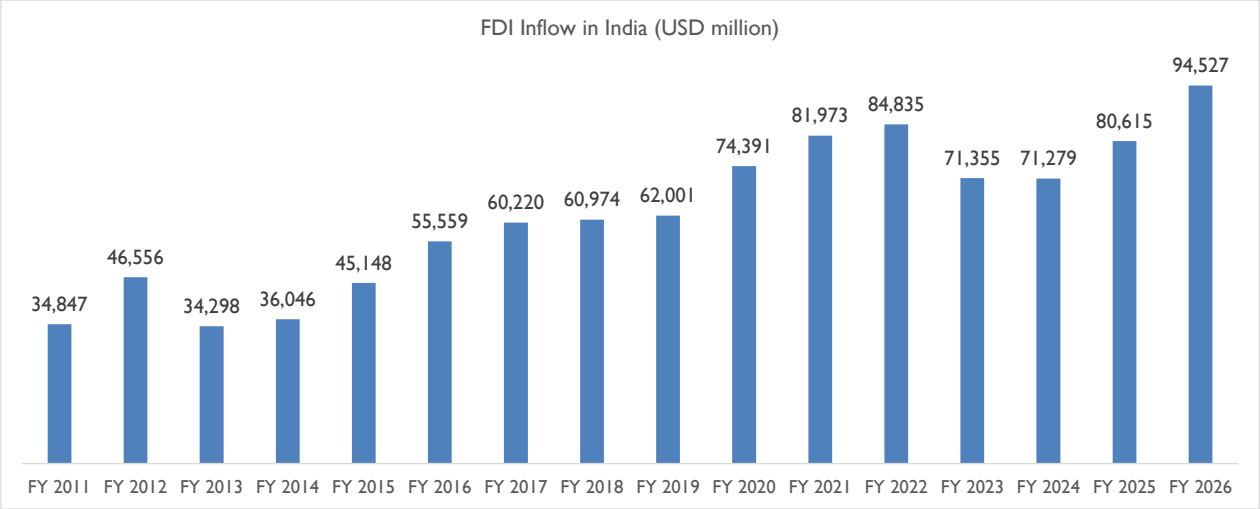
In urban areas, the working population is growing rapidly due to the proliferation of jobs in sectors like IT, finance, retail, and healthcare. Additionally, the development of infrastructure, such as improved transportation networks and housing, has made urban centers more accessible and desirable for the working population. In rural areas, the working population remains substantial, primarily due to the dominance of the agricultural sector. Government initiatives aimed at rural development, such as improved access to education and skill development programs, have also played a crucial role in enhancing employment prospects in these regions.

The dominance of the rural working population over its urban counterpart can be attributed to the labour-intensive nature of the agricultural sector, which ensures a consistent demand for human labour despite advancements in mechanization, sustaining employment rates in rural areas.

Foreign Direct Investment Trend in India

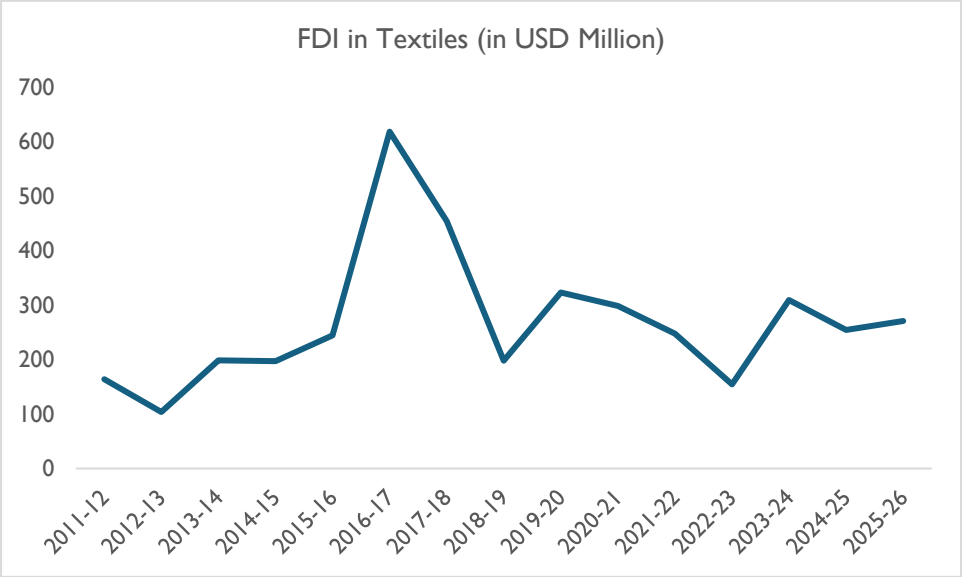
FDI inflows in India observed a steady increase from FY 2013 to FY 2022 while it witnessed a decline of 15% in FY 2023 and a decline of 0.1% in FY 2024 due to several factors, including the ongoing conflict

between Russia and Ukraine, changes in US monetary policy, and other global uncertainties. However, the country has received substantial FDI inflows from April 2000 to March 2026. Total FDI inflows increased from **USD 71.3 billion in FY2023-24 to USD 80.6 billion in FY2024-25**, registering a growth of **13.1%**. The momentum accelerated further in **FY2025-26**, with FDI inflows reaching **USD 94.5 billion**, representing a **17.3% year-on-year increase** over the previous fiscal year. This increasing FDI can be attributed to the new investment facilitation measures like the National Single-Window System (NSWS), which streamlines the approval and clearance process for investors, entrepreneurs, and businesses, along with sectoral measures and PLI schemes, supporting growth prospects in tier-2 and tier-3 cities. Further, tax compliance for startups and foreign investors has been simplified and the Income Tax Act, 1961, was amended in 2024 to abolish angel tax and to reduce income tax rate chargeable on income of a foreign company.



Sources: Department for Promotion of Industry and Internal Trade

FDI inflows into India's textile sector have exhibited a fluctuating trend over the last five fiscal years, reflecting both sector-specific dynamics and broader global economic conditions. FDI inflows declined from USD 298.67 million in FY2020-21 to USD 247.75 million in FY2021-22, and further to USD 154.72 million in FY2022-23, amid global economic uncertainties, elevated inflationary pressures, tightening monetary policies across major economies and moderation in discretionary consumer spending, particularly in key textile export markets. Thereafter, the sector witnessed a strong recovery, with FDI inflows increasing to USD 309.72 million in FY2023-24, supported by improving global demand conditions, policy support for domestic manufacturing and renewed investor interest in India's textile value chain. FDI inflows moderated to USD 254.77 million in FY2024-25, although they remained significantly above the levels recorded in FY2022-23. Data for FY2025-26 is available only up to June 2025, during which the sector attracted USD 75.12 million in FDI inflows and is therefore not directly comparable with full-year figures.



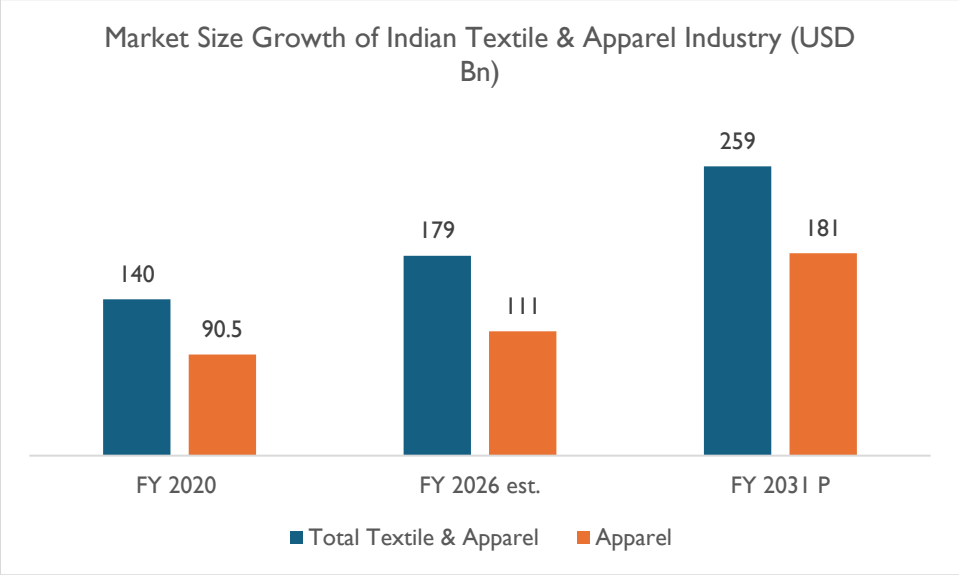
Sources: Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry

Despite year-on-year fluctuations, the long-term investment outlook for the sector remains supported by 100% FDI under the automatic route. The textiles sector has attracted cumulative FDI inflows of USD 5073.03 million between FY 2000-01 to FY 2025-26 reflecting sustained foreign investor interest in India's textile and garment industry.

Overview of Indian Textile Industry

The Indian textile industry, one of the oldest and most significant sectors of the economy, plays a crucial role in employment generation and export earnings. The Indian textile industry encompasses the production of fibres, yarns, fabrics, and finished textile products such as garments and home furnishings, covering the entire value chain from raw material processing to final consumption. It is one of the most significant sectors of the country's economy, playing a vital role in industrial development, employment generation, and export performance. As per government figures outlined in Union Budget 2026-27[22], the sector contributes nearly 2% to India's Gross Domestic Product (GDP),11% to manufacturing GVA, and 8.63% to exports. With 9% share in employment, it is also second largest employment generators in the country after agriculture, providing livelihoods to nearly 45 million people across its diverse value chain.

Over the past few years, the sector has witnessed both periods of slowdown and recovery, driven by global economic trends, policy support, and evolving consumer preferences. Below graph shows the historic market size for **India Textile and Apparel Industry** growth over FY 2020-26 which is estimated to have grown at CAGR of 4.2% and 3.5% and valuing at USD 179 billion and USD 111.3 billion, respectively.



Source: Ministry of Textile and D&B Research Estimates[23]

[22] https://www.pib.gov.in/PressReleasePage.aspx?PRID=2222927&reg=48&lang=2
[23] Invest India Textiles Report v7
https://www.pib.gov.in/PressReleasePage.aspx?PRID=2222927&reg=48&lang=2

The sector contributes approximately 2% to national GDP, 11% to manufacturing GVA[24], and contributes around 7.93% to total export as of FY 2025-26[25]. It is also one of the largest employment generators in the country, providing livelihoods to nearly 45 million people across its diverse value chain.

According to the **Economic Survey 2025-26,** India aims to build a USD 350 billion Textile & Apparel industry with USD100 billion exports by 2030, supported by initiatives such as PM MITRA, PLI, technical textiles, and export promotion measures. However, considering the historical growth trends between FY 2020-26, the market size of Indian Textile and Apparel Industry is projected to reach to reach USD 259 billion by FY 2031, reflecting a CAGR of 7.7% while apparel segment is projected to reach USD 181 billion translating in CAGR of 10.2%[26]

The domestic readymade garment market has been expanding steadily, making India one of the most lucrative fashion hubs globally. The industry growth has been supported by favourable demographics, rising disposable incomes, rapid urbanisation and increasing penetration of organised retail and e-commerce channels. The garment market encompasses men's wear, women's wear, children's wear, ethnic wear, athleisure, innerwear and other readymade garment categories across both online and offline distribution channels. India's textile sector has developed strong manufacturing capabilities, enabling it to cater to both growing domestic demand and international markets. The country has established itself as the second-largest producer of textiles and garment globally and the sixth-largest exporter of apparel and clothing. During FY 2025-26, ready-made garment (RMG) remained the largest export category, accounting for 45% of India's total textiles and apparel exports with exports valued at INR 1,393.5 billion, followed by cotton textiles (33%) and man-made textiles (15%)[27].

On raw material side, the industry is characterized by a diversified fibre base, comprising both natural fibres and man-made fibres (MMF). The natural fibre segment includes cotton, jute, silk, wool, coir, and flax, with cotton being the most dominant. On the other hand, man-made fibres are broadly classified into cellulosic and non-cellulosic categories. Cellulosic fibres, derived from natural cellulose sources such as cotton and wood pulp, include rayon (viscose), acetate, and triacetate. Non-cellulosic fibres are produced through petrochemical processes and include polyester, acrylic, olefin, nylon, and spandex.

India occupies a strategically important position in the global cotton yarn industry, supported by its strong raw cotton availability, extensive spinning infrastructure, cost-competitive manufacturing base, and well-established textile ecosystem. India is among the world's largest producers of cotton and cotton yarn and

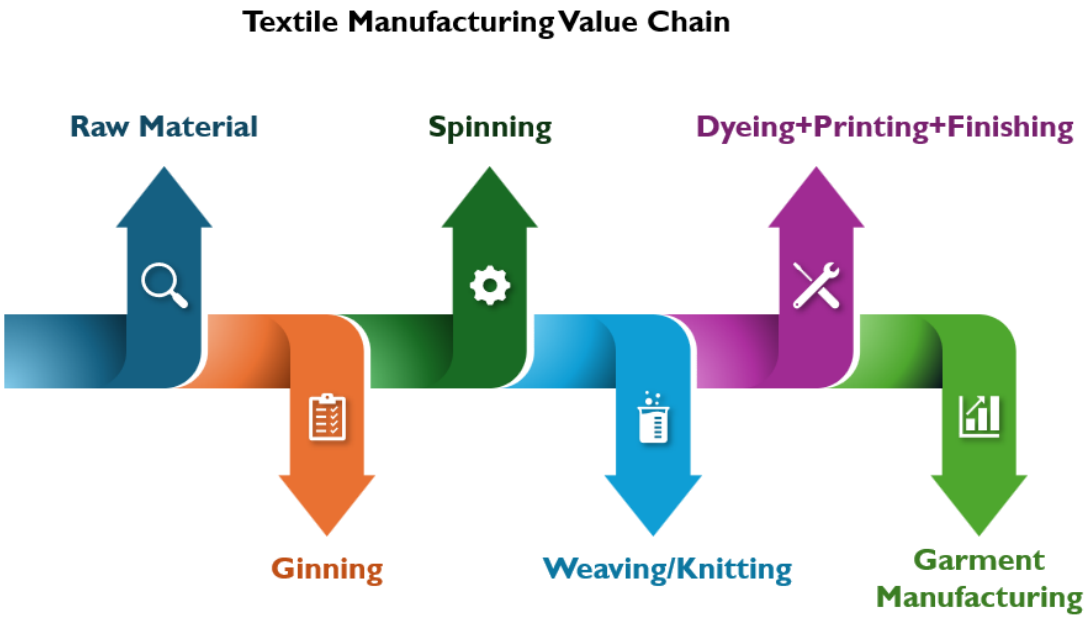
[26] Dun & Bradstreet Research
[27] PIB

remains one of the leading exporters of spun cotton yarn globally. The country has an estimated spinning capacity of over 52 million spindles, making it one of the largest spinning hubs worldwide

In addition, India is one of the leading manufacturers of synthetic yarns globally. The segment has witnessed significant investments over the years, resulting in the production of a wide range of yarn products. The growth of this segment has been further supported by the presence of a well-developed petrochemical industry, which ensures the availability of key raw materials, thereby strengthening the overall textile manufacturing ecosystem

Textile Manufacturing Value Chain

Textile manufacturing involves converting raw fibres into finished materials such as fabrics and clothing. The process begins with fibre sourcing, which includes natural fibres like cotton, wool, and silk, as well as synthetic fibres such as polyester and nylon. While cotton remains the most used natural fibre, synthetic fibres are widely favoured for their durability and cost-effectiveness. However, their extensive use raises environmental concerns, as they are derived from petrochemicals and contribute to micro plastic pollution. As per United Nationals Environment Programme (UNEP), textiles are responsible for approximately 9%[28] of annual microplastic losses to the ocean, with the production and washing of synthetic fabrics releasing plastic particles that persist in ecosystems.



[28] Putting the brakes on fast fashion

Stages in Textile Manufacturing	
Raw Material	**Natural Fibres**: India is one of the world's largest producers of cotton and jute, which are fundamental to the textile industry. The cultivation practices of these fibres directly impact the quality and sustainability of the raw materials. **Synthetic Fibres**: Man-made fibres, supplied by the petrochemical industry, have gained prominence since the mid-20th century. These fibres are crucial for producing a wide range of textile products, including easy-care clothing and furnishings.
Ginning	Ginning is the process of separating cotton fibre from cotton seed after harvesting. It is a critical stage in the cotton value chain as it determines the cleanliness, contamination level and usability of cotton lint for spinning. Proper ginning practices help improve fibre quality, reduce trash content and support production of better-quality yarn.
Spinning	The spinning stage involves converting raw fibres into yarn. This process is pivotal as it determines the quality and characteristics of the yarn, influencing the final textile product. India boasts a robust spinning sector that integrates both natural and synthetic fibres, catering to a wide array of market demands.
Weaving & Knitting	**Weaving:** This process involves interlacing yarns to create fabric. India has a significant number of weaving units, although challenges related to quality and cost often result in the importation of woven fabrics. **Knitting:** The knitting sector in India is more integrated, with many facilities capable of producing finished garments directly from yarn. This segment has experienced substantial growth, with local production meeting a significant portion of domestic demand.
Dyeing, Printing and Finishing	At this stage, grey fabric undergoes value-added processing such as bleaching, dyeing, printing, washing, finishing, coating or other treatments to enhance colour, texture, appearance and performance. Finishing improves fabric characteristics such as softness, shrinkage control, wrinkle resistance, durability and aesthetic appeal.

Garment Manufacturing	The final stage of the value chain involves converting fabric into finished garments. India's garment manufacturing sector is diverse, ranging from traditional handloom products to modern, mass-produced clothing. This segment is labour-intensive, employing millions and serving as a vital component of the economy.

Cotton Yarn Manufacturing or Cotton Spinning

The spinning process transforms cotton fibre into yarn, which serves as the primary input for weaving, knitting, home textiles, garment, and technical textile applications. Given its role as the first major value-addition stage after cotton processing, the quality, consistency, and characteristics of yarn produced during spinning have a direct bearing on the quality and performance of the final textile product. It is to be noted that these two phases, **spinning and weaving**, are broad classifications which also includes other activities such as **mixing, carding, combing, drawing, rowing, warping,** and **finishing**. But **spinning and weaving** form the **core** of **cotton fabric production.**

The Indian cotton yarn manufacturing industry primarily utilizes ring spinning and open-end (rotor) spinning technologies to convert cotton fibres into yarn. Over time, **technological advancements have led to the development of compact spinning and EliTwist (compact twin spinning) technologies,** which are designed to improve yarn quality, reduce hairiness and cater to premium textile applications. *These technologies enable manufacturers to produce differentiated, value-added yarns that command higher realizations compared to conventional commodity yarns such as traditional ring-spun and open-ended rotor-spun cotton yarns.*

Open Ended Spinning

Open-ended spinning uses **rotors** to **convert cotton fibre** into **yarn**. Among the two processes, open-ended spinning is **technically superior**, and **open-ended rotors are 4 to 8 times faster** than spindles in producing cotton yarn. The faster production rate and higher yield were the initial attributes that popularized the open-end spinning technique. **Moreover, open end spinning mills are better suited for process automation,** which is expected to become a mainstay in the textile industry. Additionally, **open end spinning process also eliminates the need for rowing and winding process**. These attributes, along with higher yield, have led to the popularity of **open-end spinning mills, leading to the creation of open-end spinning hubs, the largest of which is concentrated in Tamil Nadu**.

Of late, open-end spinning mills have been gaining prominence because of its superiority in manufacturing yarn from cotton waste. With sustainable production practices gaining momentum across the country, the popularity of open-end spinning mills has gone. Initially, these mills used cotton waste which was then

converted to yarn. However, the increase in the price of cotton have forced these mills to explore other recyclable materials.

Ring Frame Spinning

Ring spinning is the oldest of spinning processes that uses spindle to convert fibres to make a yarn. **Ring spinning frame, commonly called the ring, is the conventional spinning system and it transforms the roving from the roving frame into spun yarn using the operations of drawing, twisting and winding.** The ring spinning machine is capable of simultaneously twist staple fibres into yarn and then wind it onto bobbins for storage. The technology provides the widest range in terms of the yarn counts it can produce. It is used to product produce high-quality spun yarn ranging from fine (60 Ne, 10 tex) to medium count (30 Ne, 20 tex) range, with a small amount produced in the coarse count (10 Ne, 60 tex) range. End uses include **high-quality underwear, shirting, towels**. However, ring spinning is a **comparatively expensive process because of its slower production speeds and the additional processes (roving and winding) required for producing ring spun yarns**.

Compact Spinning

Compact spinning is an advanced variation of ring spinning that incorporates a fibre-condensing mechanism immediately before twist insertion. By compacting fibres into a narrower strand, the technology reduces fibre protrusion and improves fibre alignment.

Compared with conventional ring-spun yarns, compact yarn offers:

- Lower hairiness
- Higher tensile strength
- Improved yarn uniformity
- Reduced pilling tendency
- Better weaving and knitting efficiency

Compact yarn is increasingly used in premium garments, high-end knitwear, home textiles and export-oriented textile products.

EliTwist (Compact Twin Spinning)

EliTwist *is a proprietary value-added spinning technology that combines compact spinning and twisting in a single operation.* Unlike conventional yarn manufacturing, where doubling and twisting are performed in separate downstream processes such as two-for-one (TFO) twisting, EliTwist technology integrates these functions directly during the spinning stage. As a result, EliTwist technology-based compact yarn offers:

- Superior yarn strength compared to conventional ring and compact yarn
- Extremely low hairiness
- Enhanced abrasion resistance
- Improved fabric appearance and surface smoothness
- Reduced pilling tendency
- Better dimensional stability

EliTwist technology-based compact yarn is primarily **used in premium shirting, luxury knitwear, high-end garments, home textiles** and **specialty textile applications** where product quality, durability and appearance are critical purchasing criteria.

Compared with conventional cotton yarns, **EliTwist technology-based compact yarn** generally commands a higher realization due to their enhanced performance characteristics and suitability for value-added textile products.

TFO (Two-For-One Twisted) yarn

Two-For-One (TFO) yarn is produced by twisting two or more single yarns together using a **Two-For-One Twister machine**. The process significantly enhances yarn properties, including strength, uniformity, abrasion resistance, elongation, and overall fabric performance. Compared to single yarns, TFO yarn offers superior tensile strength, durability, dimensional stability, and appearance, making it an essential input for high-quality textile and apparel applications.

The TFO process is widely preferred across spinning mills and yarn processing units due to its operational advantages over conventional twisting methods. These include higher production efficiency, superior twist uniformity, lower yarn breakage rates, reduced operational costs, and improved yarn quality consistency. As a result, TFO machines are extensively utilized for manufacturing premium cotton, polyester, viscose, and blended yarns catering to diverse end-use industries.

End-use Applications

The **apparel industry represents the largest consumer segment for TFO yarn in India**. Twisted cotton, polyester-cotton, viscose, and other blended yarns are extensively used in the production of Denim fabrics, Shirting material, Trousers and bottom wear, Knitwear and hosiery products, Premium woven fabrics and Sewing threads. The enhanced strength and uniformity of TFO yarn improve fabric appearance, reduce pilling, and provide better resistance to repeated washing and wear, making it particularly suitable for high-quality garments and fashion products. Beyond apparel, TFO yarn also finds significant applications

in **home textiles**, including bed linens, towels, upholstery fabrics, and curtains, where durability and dimensional stability are critical. Additionally, industrial textile manufacturers utilize TFO yarn in products requiring higher strength and performance characteristics.

Cotton Yarn Product Segmentation

Yarn Category	Definition	Manufacturing Process	Typical Count Range (Ne)[29]	Major Attributes	Key Applications
Combed Yarn	Yarn manufactured after removal of short fibres through combing.	Blow Room → Carding → Combing → Drawing → Simplex → ***Ring Spinning*** → Winding	Ne 20-120+	Softer, stronger, more uniform, lower hairiness	Premium knitwear, innerwear, fashion apparel, children's wear, premium shirting, high-quality home textiles and fine-count fabrics.
Compact Yarn	Ring-spun yarn produced through fibre compacting technology before twist insertion.	Combed/Carded Preparation → **Compact Ring Spinning** → Winding	Ne 20-120+	Low hairiness, higher strength, improved elongation, reduced pilling	Premium knitwear, branded apparel, shirting, fashion garments, export-quality fabrics, home textiles and fine-count woven fabrics.
Carded Yarn	Carded yarn is manufactured using the carding process as a key preparation step, followed	Blow Room → Carding → Drawing → Simplex → **Ring**	Ne 6-40	Economical, relatively higher short fibre content, lower uniformity	Denim fabrics, basic garment fabrics, hosiery, towels, home

[29] **Ne = English Cotton Count. Higher count indicates finer yarn.**

	by standard staple spinning methods such as **ring spinning** or **open-end spinning** (omitting the combing step). Its manufacturing uses fine wire teeth to disentangle and individualize fibres, removing remaining trash and short fibres to form a loose, untwisted strand called a **card sliver**.	**Spinning/open end spinning** → Winding			textiles, industrial fabrics and general-purpose woven and knitted products.
Hosiery Yarn	Yarn specifically engineered for knitting applications.	Generally, Combed/ Compact Spinning with knitting-specific quality parameters	Ne 20-60	Superior evenness, softness, low imperfections, good dye uptake	T-shirts, innerwear, athleisure, socks
TFO Yarn (Two-for-One Twisted Yarn)	Yarn created by twisting two or more single yarns together.	Ring Spun Yarn → TFO Machine → Winding	2/20 Ne to 2/80 Ne and above	Higher strength, better abrasion resistance, dimensional stability	Denim fabrics, Shirting material, Trousers and bottom wear, Knitwear and hosiery products, Premium woven fabrics and Sewing

					threads and home textiles, including bed linens, towels, upholstery fabrics, and curtains
EliTwist Technology-based Compact Yarn	Value-added yarn produced using EliTwist technology where twisting occurs directly during spinning.	Cotton Fibre → Carding → Drawing → Two Separate Rovings → Compacting (EliTe System) → Twisting of Two Rovings Together (EliTwist) → Twin-Spun Yarn → Winding	Ne 20-100+	Reduced hairiness, enhanced strength, lower pilling, improved durability and appearance	Premium shirting, luxury knitwear, high-end garments, home textiles and specialty textile applications

Major End-Use Segments of Cotton Yarn

End-use Segment	Key Applications
Garment & Garments	Shirts, T-shirts, denim, innerwear, ethnic wear, fashion garment
Home Textiles	Bed linen, towels, Curtains, Upholstery fabrics, Furnishings
Weaving & Knitting Industry	Grey fabrics, Knitted fabrics, Processed textiles
Technical Textiles	Medical textiles, Agro-textiles, Industrial fabrics, Protective textiles
Export-oriented Textile Manufacturers	Garment and textile exporters supplying global brands

The garment industry is the largest end-use consumer of cotton yarn, accounting for a substantial proportion of yarn demand through the production of clothing, fashionwear, innerwear, denim and other textile products. Growth in disposable incomes, urbanisation, organised retail and e-commerce penetration continues to drive garment consumption, thereby supporting demand for cotton yarn.

The **home textile industry** represents another major demand centre for cotton yarn, with applications in bed sheets, towels, quilts, curtains, upholstery fabrics and other household furnishing products. Premium yarn varieties such as combed, compact and higher-count cotton yarns are extensively used in this segment due to their superior softness, strength and finish. Cotton yarn is widely used across home textile applications including bed sheets and related furnishing products.

The **weaving, knitting and fabric manufacturing segment constitutes the immediate customer base** for **spinning mills**. Cotton yarn is converted into woven and knitted fabrics that subsequently feed into garment, home textile and industrial textile manufacturing. As such, *production trends in the downstream textile manufacturing ecosystem directly influence demand for cotton yarn*.

The technical textiles sector is emerging as an important growth avenue for cotton yarn demand. Cotton and cotton-blended yarns are increasingly being utilised in medical textiles, protective textiles, agro-textiles, industrial fabrics and other specialised applications. Government initiatives such as the National Technical Textiles Mission are expected to support the development of this segment over the medium to long term.

In addition, export-oriented textile and garment manufacturers represent a key stakeholder group for the cotton yarn manufacturing industry.

India's position as one of the leading global exporters of cotton yarn and textile products creates additional demand from textile manufacturing hubs and international garment supply chains, making global textile and garment consumption an important demand driver for domestic spinning mills.

Sustainable Cotton Yarn Solutions

Sustainability is emerging as a key differentiator in the cotton spinning industry, driven by growing environmental awareness, evolving regulatory requirements, and increasing sustainability commitments from global garment, fashion and home-textile brands. As a result, demand is increasingly shifting towards sustainable and traceable yarn solutions, including organic cotton yarn, Better Cotton (BCI) yarn, recycled cotton yarn, compact yarn, and traceable premium yarns. These yarn categories enable downstream textile manufacturers to improve supply-chain transparency, reduce environmental impact, support circular economy initiatives, and comply with increasingly stringent ESG and responsible sourcing requirements. The adoption of sustainable cotton yarns is further being supported by advances in traceability technologies, certification frameworks and sustainability-focused procurement practices among global brands. Consequently, sustainability-oriented yarn products are expected to become an increasingly important growth segment within the Indian cotton spinning industry, particularly for manufacturers producing value-added and premium yarns.

Overview of Raw Cotton Scenario in India

Cotton is a significant commercial crop in India, contributing approximately 20% of global cotton production in marketing year 2025-26[30].[31] It supports the livelihood of around 6 million cotton farmers and 40-50 million people [32] involved in related activities such as cotton processing and trade. The Indian textile industry utilizes a variety of fibres and yarns, with a cotton-to-non-cotton fibre usage ratio of about 60:40, compared to 30:70 globally. In addition to providing clothing, cotton plays a key role in India's foreign exchange earnings through exports of raw cotton, intermediate products like yarn and fabrics, and finished goods such as garments, made-ups, and knitwear. Due to its economic significance, cotton is sometimes referred to as "**White Gold**" in India.

Cotton Acreage and Yield

Cotton Year (October- September)	Cotton Acreage (in lakh hectares)	Cotton Yield (in kg lint per hectare)
2020-21	132.86	451
2021-22	123.72	428
2022-23	129.27	443
2023-24	126.88	436
2024-25	114.82	440

[30] According to USDA, 2025-26 cotton marketing year refers to the period from August 2025 to July 2026.
[31] USDA
[32] PIB, July 2026.

Source: Ministry of Agriculture and Farmers Welfare

India has the largest cotton acreage globally, with 114.82lakh hectares under cultivation, covering about 37% of the world's total cotton-growing area of 306.09 lakh hectares. Around 67% of India's cotton is grown in rain-fed regions, while 33% is cultivated on irrigated land. In terms of productivity, India ranks 40th, with a yield of 440 kg/ha.[33]

India is the only country that cultivates all four species of cotton:

- Gossypium arboreum
- Gossypium herbaceum (Asian cotton),
- Gossypium barbadense (Egyptian cotton), and
- Gossypium hirsutum (American Upland cotton).

Gossypium hirsutum accounts for 90% of hybrid cotton production in India. Shankar-6 (high-yielding medium-staple cotton variety) and all current Bt cotton hybrids belong to this species.

Shankar-6 Cotton and Its Relevance to the Cotton Yarn Industry

Shankar-6 is the most widely traded and internationally recognised cotton variety produced in India and is derived from the **Gossypium hirsutum species**, which accounts for the majority of India's hybrid cotton production. **Predominantly cultivated in Gujarat and parts of Maharashtra,** *Shankar-6 is a medium-to-long staple cotton variety with a staple length of approximately 28.5-30.5 mm, micronaire values ranging from 3.8 to 4.9, and fibre strength of around 28-31 g/tex.* Owing to its consistent fibre quality, favourable spinning characteristics, large-scale availability and established acceptance in domestic and international markets, it has become the benchmark cotton grade for India's spinning and cotton export industry.

Gujarat's position as India's second largest cotton-producing state has further strengthened the prominence of Shankar-6 within the domestic cotton value chain, making it one of the most widely used raw materials for cotton yarn manufacturing in the country.

Key Advantages of Shankar-6 Cotton

- **Good fibre length and strength**: Typically offers staple lengths in the medium-to-long staple category, making it suitable for a broad range of yarn counts.
- **High spinning efficiency**: Delivers favourable spinning performance with relatively lower end breakage and improved machine productivity.

[33] Ministry of Textiles

- **Large-scale availability**: Extensive cultivation enables spinning mills to procure raw material in commercial quantities throughout the season.
- **Export acceptance**: Well-established reputation among overseas buyers makes it a preferred cotton for yarn exports.
- **Versatility**: Suitable for manufacturing woven fabrics, knitted fabrics, home textiles and a wide variety of garment products.
- **Cost competitiveness**: Provides a favourable balance between fibre quality and procurement cost compared with premium imported cotton varieties.

Key Limitations of Shankar-6 Cotton

- **Not an Extra Long Staple (ELS) cotton**: Fibre length is generally insufficient for the highest-count premium yarns.
- **Quality variability**: Fibre quality can vary across seasons depending on weather conditions, pest incidence and agronomic practices.
- **Traceability concerns**: Traditional supply chains may face contamination and traceability challenges unless supported by initiatives such as Kasturi Cotton Bharat.
- **Competition from imported premium cotton**: Premium applications requiring superior length, strength and uniformity may necessitate imported ELS cotton.

Alternative Raw Materials in the Absence of Shankar-6 Cotton

Where Shankar-6 availability becomes constrained due to lower cotton output or quality concerns, spinning mills generally shift towards the following raw materials depending on the intended yarn specification:

Alternative Cotton Type	Key Characteristics	Typical Applications
MCU-5	Long-staple cotton mainly grown in South India	Fine-count and combed yarns
DCH-32	Indian Extra Long Staple (ELS) cotton	Premium yarns, fine-count export yarns
Suvin Cotton	India's premium ELS cotton variety	Luxury garment, superfine counts (80s+)
US Pima Cotton	Imported ELS cotton with superior fibre length	Premium shirting, luxury garments
Egyptian Giza Cotton	Premium imported ELS variety renowned for softness and strength	High-end garment, bed linen, luxury textiles

Australian Cotton	High-quality contamination-free cotton	Fine and value-added yarns
J-34 Cotton	Medium-staple cotton variety, predominantly cultivated in Punjab, Haryana and Rajasthan; known for good fibre strength, uniform quality, suitable for spinning medium yarn counts (20s-34s)	Weaving and knitting yarns, denim fabrics, shirting fabrics, home textiles, towels and general apparel fabrics

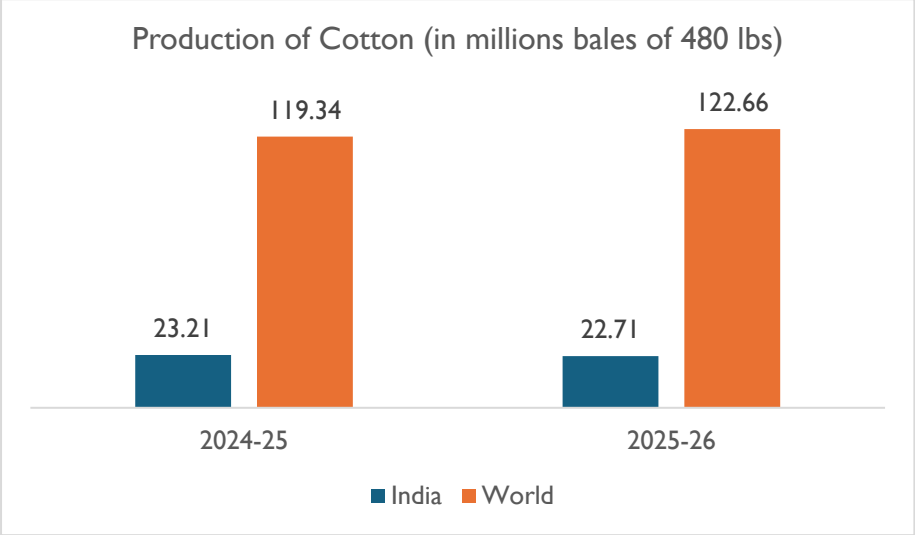
Among the available substitutes, US Pima and Egyptian Giza cotton are generally considered the preferred alternatives for manufacturing premium yarns due to their superior fibre length, strength and uniformity. The Government's exemption of customs duty on Extra Long Staple (ELS) cotton exceeding 32 mm staple [34] length has further improved access to these premium imported varieties for Indian spinning mills, supporting production of high-count and value-added yarns.

Cotton Production Scenario in India

Cotton production in India is concentrated in ten major states, categorized into three agro-ecological zones:

- **Central Zone**: Gujarat, Maharashtra, and Madhya Pradesh
- **Southern Zone**: Telangana, Andhra Pradesh, Karnataka and Tamil Nadu
- **Northern Zone**: Punjab, Haryana, and Rajasthan

Additionally, cotton is cultivated in Odisha.



Source: Cotton Association of India, US Department of Agriculture

[34] USDA

India ranks second globally in cotton production behind China[35], with an output of 22.71 million (290.91 lakh bales[36]) bales during the 2025-26 cotton season, accounting for 19% of the world's total production of 122.66 million bales. Additionally, India is the world's second-largest consumer of cotton, with an estimated consumption of 32.8 million bales in cotton season 2025-26.

Rank	State	Contribution to Total Cotton Production 2025-26[37]
1	Maharashtra	27%
2	Gujarat	23%
3	Telangana	21%
4	Karnataka	7%
5	Rajasthan	6%
6	Andhra Pradesh	4%
7	Madhya Pradesh	3%
8	Haryana	3%
9	Odisha	3%
10	Punjab	1%

Source: Cotton Association of India

Key Cotton growing Hubs in India

Maharashtra (27%): Maharashtra ranks first in cotton production with a 27% share. Maharashtra follows closely, producing around 8.5 million bales annually, primarily in the Vidarbha region, including districts like Yavatmal, Akola, and Amravati. However, the state's cotton farmers face challenges such as unpredictable rainfall, drought conditions, and soil degradation. Despite these difficulties, Maharashtra remains a significant contributor to India's cotton industry, with extensive use of genetically modified (BT) cotton to boost yields.

- **Gujarat** (23%): **Gujarat** is the second largest cotton-producing state in India, contributing 23% to the total national production. Gujarat, often referred to as the '**Cotton Bowl'** of India, is the leading producer, contributing approximately **9 million bales annually,** with prominent

[35] Cotton | USDA Foreign Agricultural Service, https://www.texmin.gov.in/static/uploads/2025/07/db767d1d1501e27672906cd8c320c5f4.pdf

[36] In 1Bales is equal to 170 Kg.
[37] Refers to Cotton Season 2025-26

districts like Rajkot, Surendranagar, and Bhavnagar. The state's black soil (Regur soil) and semi-arid climate create ideal conditions for cotton cultivation. Gujarat is known for high-yield varieties, and irrigation facilities in some regions further enhance production. The state is also home to a large number of textile mills and ginning factories, strengthening the cotton value chain.

- **Telangana** (21%): **Telangana** is the third-largest cotton-producing state, contributing **21% to** India's total production. **Telangana** has emerged as a significant player in recent years, producing about **5.5 million bales** annually in districts such as Warangal, Adilabad, and Nizamabad. The state has witnessed rapid growth in cotton cultivation due to favourable climatic conditions, government support, and widespread adoption of BT cotton. The availability of irrigation from the Godavari and Krishna rivers has also played a crucial role in increasing cotton output. Telangana's cotton industry is well-connected to textile hubs, ensuring a strong market for farmers.

Historical Cotton Production & Consumption Trend in India

Cotton Year (October -September)	Production (in million bales)	Consumption (including Mill, SSI and Non-textile) (in million bales)
2020-21	35.25	33.49
2021-22	31.12	32.24
2022-23	33.66	31.36
2023-24	32.52	32.58
2024-25	29.72	32.25
2025-26*	33.90	32.80

Source: Ministry of Textiles *Provisional

India's cotton industry has witnessed a gradual tightening of the supply-demand balance over the past five years. Cotton production declined from **35.25 million bales** in 2020-21 to **31.12 million bales** in 2021-22, while consumption remained relatively robust at **32.24 million bales**, resulting in demand exceeding domestic production. This was primarily driven by lower output amid productivity and acreage-related challenges, while demand from the textile sector remained resilient.

Production recovered to **33.66 million bales** in 2022-23, supported by improved crop performance and favourable growing conditions. During the same period, consumption moderated slightly to **31.36 million bales**, restoring a production surplus and easing supply pressures. However, the recovery proved short-lived, with production declining to **32.52 million bales** in 2023-24, while consumption increased to **32.58**

million bales, resulting in a near-balanced market where domestic demand marginally exceeded production.

The supply-demand gap widened further in 2024-25, as cotton production fell to **29.72 million bales**, the lowest level in the last five years, while consumption remained strong at **32.25 million bales**. The decline in output was largely attributable to reduced acreage under cotton cultivation and lower overall production. Despite the tighter supply environment, demand from India's spinning, weaving, apparel, garment, and home textile industries remained relatively stable, underscoring the importance of cotton to the country's textile value chain.

As per the latest estimates by the Committee on Cotton Production & Consumption (COCPC), cotton consumption in 2025-26 stands at **32.80 million bales** (provisional), indicating continued demand growth from the domestic textile sector. The recent trend of consumption outpacing production highlights the growing importance of improving farm productivity, enhancing cultivation practices, and ensuring adequate raw material availability to support the long-term growth of India's textile and apparel industry.

Consumption Pattern by End Use Segment (mills / non-mills / SSI units / Others)

Consumption of Cotton	2021-22	2022-23	2023-24	2024-25	2025-26
Mill Consumption	28.49	19.78	21.68	21.30	22.20
Small Scale Industries (SSI) Consumption	2.15	9.98	9.29	9.35	9.80
Non-Textile Consumption	1.60	1.60	1.60	1.60	1.60

Source: Cotton Association of India

Cotton consumption in India is primarily driven by **mill consumption**, followed by **Small Scale Industries (SSI)** consumption and non-textile usage. During Cotton Season 2021-22 to 2025-26, total cotton consumption increased from **32.24 million bales** in 2021-22 to **32.80 million bales** in 2025-26, indicating a moderate increase over the period. However, the end-use pattern reflects some shift in consumption distribution, with mill consumption declining sharply in 2022-23 before gradually recovering in subsequent years.

Mill consumption stood at **28.49 million bales** in 2021-22 but declined to **19.78 million bales** in 2022-23. Thereafter, mill consumption improved to **21.68 million bales** in 2023-24 and remained broadly stable at **21.30 million bales** in 2024-25, before increasing to **22.20 million bales** in 2025-26. This indicates that cotton demand from organised spinning mills has recovered from the low level recorded in 2022-23,

although it remains below the 2021-22 level. The trend reflects the continued importance of spinning mills as the largest consumers of cotton and a key driver of domestic cotton demand.

Small Scale Industries (SSI) consumption increased significantly from **2.15 million bales** in 2021-22 to **9.98 million bales** in 2022-23 and thereafter remained relatively steady in the range of **9.29-9.80 million bales** between 2023-24 and 2025-26. This indicates that small-scale and decentralised textile units have accounted for a meaningful share of cotton consumption in recent cotton seasons. Non-textile consumption remained constant at **1.60 million bales** throughout the period, suggesting stable demand from non-textile applications.

Overall, the data indicates that while the organised mill segment continues to remain the principal consumer of cotton in India, the role of Small-Scale Industries (SSI) has become more prominent in recent years. The recovery in mill consumption to 22.20 million bales in 2025-26, along with steady SSI demand, supports overall cotton consumption and underlines the importance of both organised and decentralised textile manufacturing activity in driving cotton demand.

Cotton Yarn Industry in India

The Indian cotton yarn industry is a critical component of the country's textile value chain, serving as the intermediary link between cotton fibre production and downstream textile manufacturing. The industry converts raw cotton into a range of yarn products, including carded, combed, compact and other specialty yarns, which are subsequently consumed by weaving, knitting, power loom and composite textile units for the production of garment, home textiles, technical textiles and industrial textile products. The industry comprises both 100% cotton yarn and cotton-based blended yarn produced through various spinning technologies, such as ring spinning, open-end spinning and air-jet spinning. For the purpose of this analysis, the cotton yarn market represents the value of spun yarn at the post-spinning stage, where yarn is sold to downstream textile manufacturers, and excludes the retail value of finished textile products.

India's Position in the Global Cotton Yarn Landscape

India occupies a strategically important position in the global cotton yarn industry, supported by its abundant cotton production, extensive spinning infrastructure and strong export orientation. The country possesses the second-largest spinning capacity globally after China[38], enabling production across a wide range of yarn counts and specifications catering to diverse domestic and international requirements.

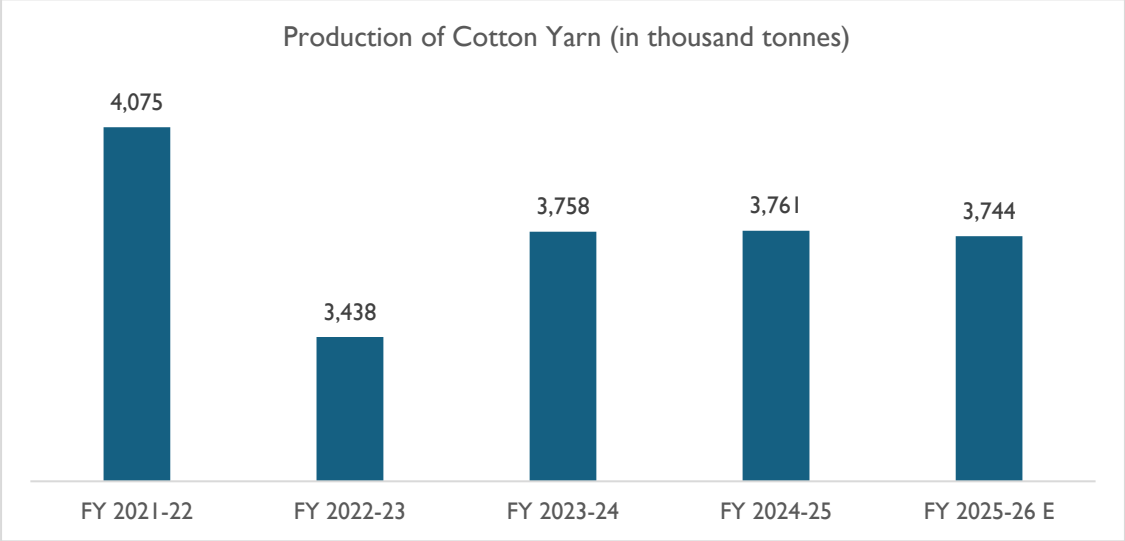
[38] TEXPROCIL

India's cotton consumption growth is supported by sustained demand for cotton yarn from major textile manufacturing economies such as China, as well as demand for cotton textile products from developed markets. India's cotton yarn exports to global markets increased by approximately 8% during the marketing year 2025-26[39], driven primarily by a sharp rise in exports to China, which more than offset the decline in shipments to certain other markets, including Bangladesh.[40]

Notably, India's cotton yarn exports to China tripled during the first ten months of the marketing year, resulting in India's market share in China's cotton yarn imports increasing from 7% to 21%.[41] Although China's overall cotton yarn imports also expanded during the same period, India's export growth significantly outpaced that of other major supplying countries, highlighting the country's growing competitiveness and strategic importance within the global cotton yarn supply chain.

This strengthening position, combined with India's large cotton production base, integrated textile ecosystem, and expanding value-added yarn capabilities, is expected to support the long-term growth prospects of the domestic spinning industry.

Annual Cotton Yarn Production Trend India



Source: Office of the Textile Commissioner, Ministry of Textiles and CMIE

India's cotton yarn production has witnessed cyclical fluctuations over the last five years, largely influenced by movements in cotton prices, export demand from key overseas markets, and downstream demand from the domestic textile and apparel industry. Production declined from 4,075 thousand tonnes in FY 2021-22 to 3,438 thousand tonnes in FY 2022-23, representing a significant contraction during the period. The

[40] USDA
[41] USDA

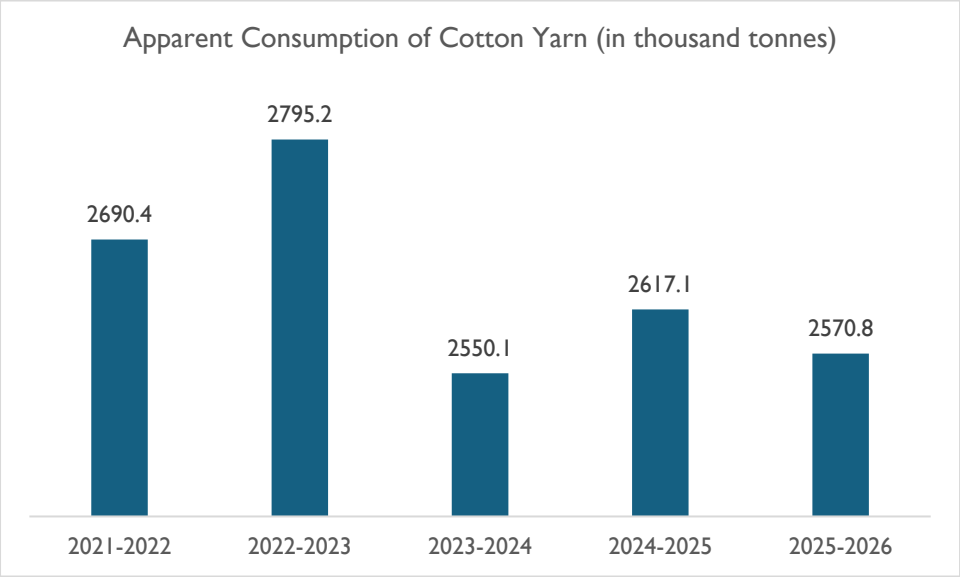
decline was primarily driven by a sharp increase in domestic cotton prices, which increased spinning costs and reduced the competitiveness of Indian yarn in export markets. At the same time, weaker export demand, particularly from China, further weighed on production levels.

The industry recovered in FY 2023-24, with production increasing to 3,758 thousand tonnes. The recovery was supported by moderation in cotton prices, improvement in export demand, and normalization of operating conditions across the textile value chain. Lower raw material costs helped improve spinner margins, while stronger demand from overseas textile manufacturing hubs supported higher capacity utilization.

Production remained broadly stable at 3,761 thousand tonnes in FY 2024-25, indicating that the industry had entered a phase of consolidation following the sharp recovery in the previous year. However, growth remained constrained by subdued export demand from China, where higher domestic cotton production reduced the need for imported cotton yarn. As China is one of the key export destinations for Indian cotton yarn, weaker imports from the country limited further production expansion.

Output moderated marginally to 3,744 thousand tonnes in FY 2025-26, reflecting continued pressure from both export and domestic demand conditions. Export demand from Bangladesh and China remained weak during the year, while domestic demand from downstream fabric manufacturers was constrained by slower growth in cloth production. In addition, cotton production has declined due to adverse weather conditions, including excessive rainfall during critical crop development stages, resulting in lower raw material availability for the spinning industry.

Cotton Yarn Consumption Scenario in India

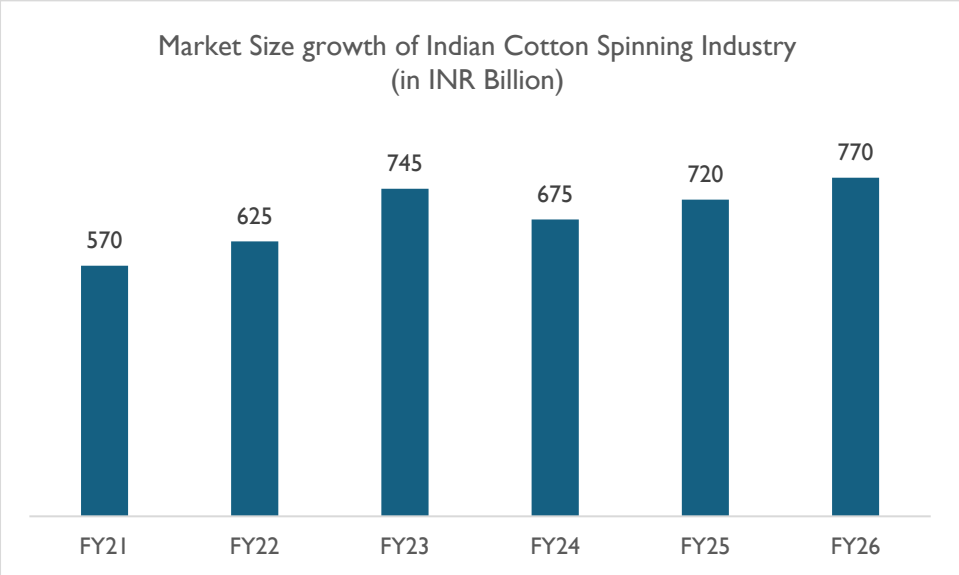


Source: CMIE

On average, approximately 70% of the total yarn produced was consumed domestically by fabric and garment manufacturers between FY 2021-22 and FY 2025-26, while the remaining share is exported to international markets, with imports accounting for only a minimal portion of the overall demand.

Apparent consumption[42] of cotton yarn increased from 2,690.4 thousand tonnes in FY 2021-22 to 2,795.2 thousand tonnes in FY 2022-23, reflecting strong demand from India's textile and garment sector following the post-pandemic recovery. However, consumption declined considerably to 2,550.1 thousand tonnes in FY 2023-24, primarily due to elevated cotton prices, which increased yarn prices and compressed margins for downstream textile manufacturers, leading to lower yarn procurement and production rationalisation. The decline was further exacerbated by weaker export demand for textiles and apparels in key global markets and inventory corrections across the value chain. As cotton prices moderated and demand conditions improved, consumption recovered modestly to 2,617.1 thousand tonnes in FY 2024-25, supported by improved yarn affordability and replenishment of inventories by fabric and garment manufacturers. Despite moderating slightly to 2,570.8 thousand tonnes in FY 2025-26, domestic consumption remained resilient.

Market Size Growth Scenario



Source: Dun & Bradstreet Research

The cotton spinning industry in India is stood at at INR 770 billion in FY26, increasing from INR 570 billion in FY21. The market expanded from INR 570 billion in FY21 to INR 625 billion in FY22 and further to INR 745 billion in FY23, before moderating to INR 675 billion in FY24. It recovered to INR 720 billion in FY25

[42] Apparent Consumption = Production of Cotton Yarn+Import of Cotton Yarn-Export of Cotton Yarn

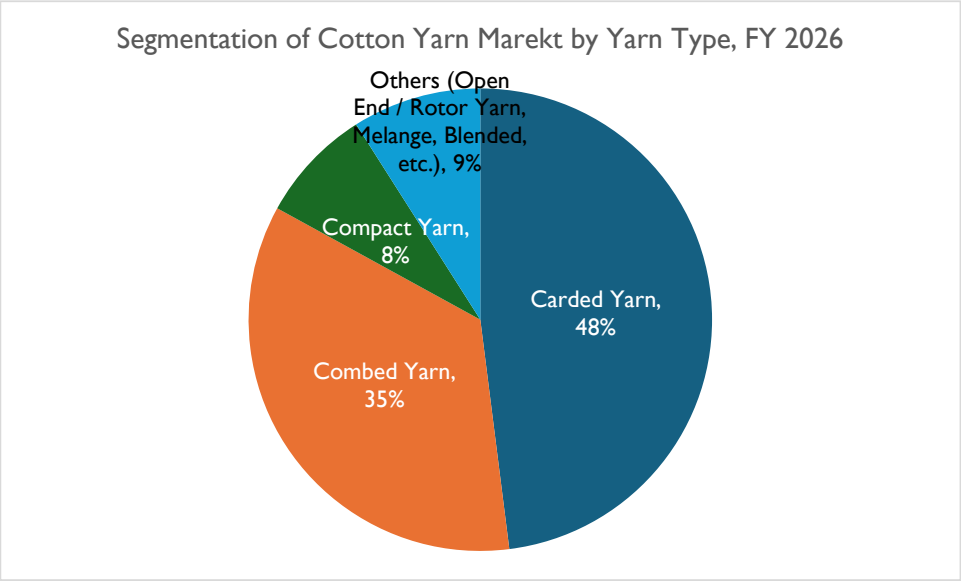
and reached INR 770 billion in FY26. Over FY21- FY26, the industry recorded a CAGR of around 6.2%, reflecting steady demand from downstream textile segments despite periodic volatility in raw material prices and yarn realisations.

The decline in market value during FY24 was primarily driven by a correction in raw cotton prices, which reduced cotton yarn realisations. Since raw cotton is the largest cost component in yarn manufacturing, changes in cotton prices have a direct bearing on the value of the cotton spinning market, even when domestic consumption remains relatively stable. The subsequent recovery in FY25 and FY26 indicates renewed market momentum, supported by downstream textile demand and stabilisation in raw material prices.

Market Segmentation of Cotton Yarn Industry

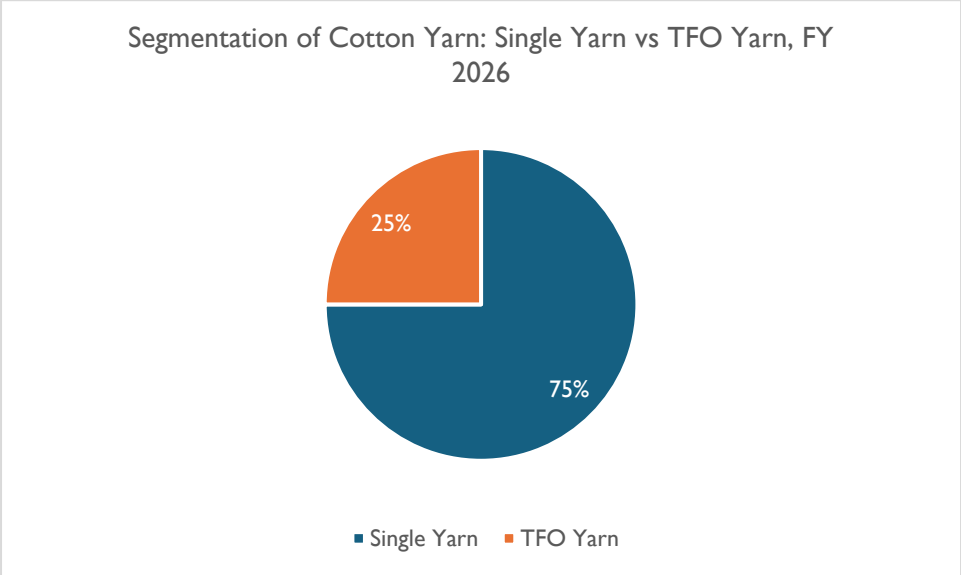
By Yarn Type

The Indian cotton yarn market, valued at INR 770 billion in FY2025-26, is predominantly composed of carded yarn, which accounts for approximately 48% of total market value. Carded yarn is widely used across mass-market garments, home textiles, denim, workwear and other commodity textile applications due to its cost competitiveness and broad applicability. Combed yarn represents the second-largest segment, contributing approximately 35% of market value. The segment caters to premium knitwear, innerwear, fashion apparel, children's wear, premium shirting, high-quality home textiles and fine-count fabrics. Compact yarn, which includes EliTwist technology-based compact yarn, accounts for around 8% of the market and is primarily utilized in premium knitwear, branded apparel, shirting, fashion garments, export-quality fabrics, home textiles and fine-count woven fabrics, where enhanced yarn strength, lower hairiness and superior fabric performance are required. The remaining 9% comprises other yarn categories, including open-end (rotor) yarn, mélange yarn, blended yarns and specialised variants, which serve specific industrial, technical and niche textile applications.



Source: Dun & Bradstreet Research

Single Yarn vs TFO Yarn

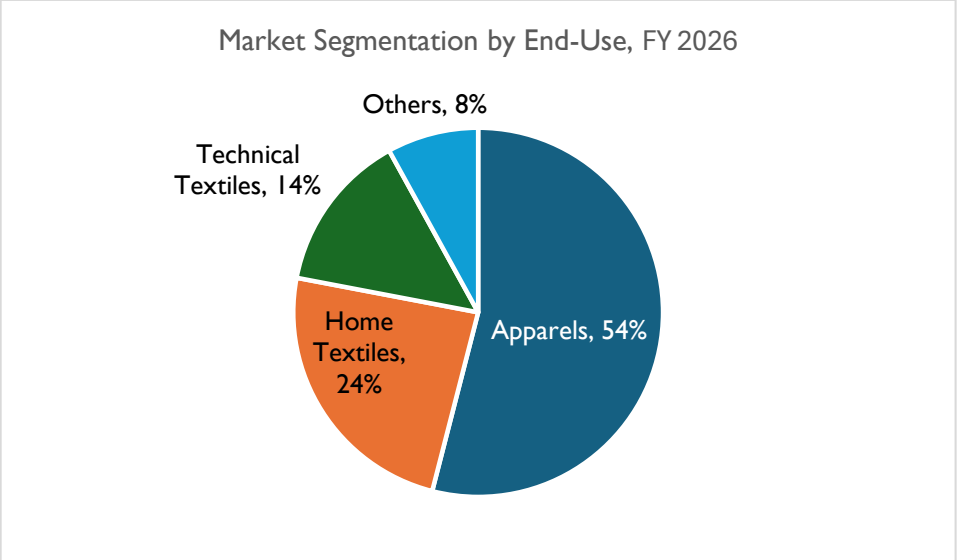


Source: Dun & Bradstreet Research

Single yarn, which is produced from a single strand of spun fibres without any doubling or twisting with another yarn, accounts for approximately 75% of the cotton yarn market by value in FY2026. The segment is widely used in knitting and hosiery applications, as well as in a significant portion of weaving applications, particularly as weft yarn. TFO (yarn accounts for the remaining 25% of the market by value. Manufactured by twisting two single yarns together, TFO yarn offers enhanced strength, durability, uniformity and dimensional stability. As a result, it is extensively used in denim fabrics, shirting materials, trousers and

bottom wear, knitwear and hosiery products, premium woven fabrics, sewing threads and home textiles, including bed linen, towels, upholstery fabrics and curtains.

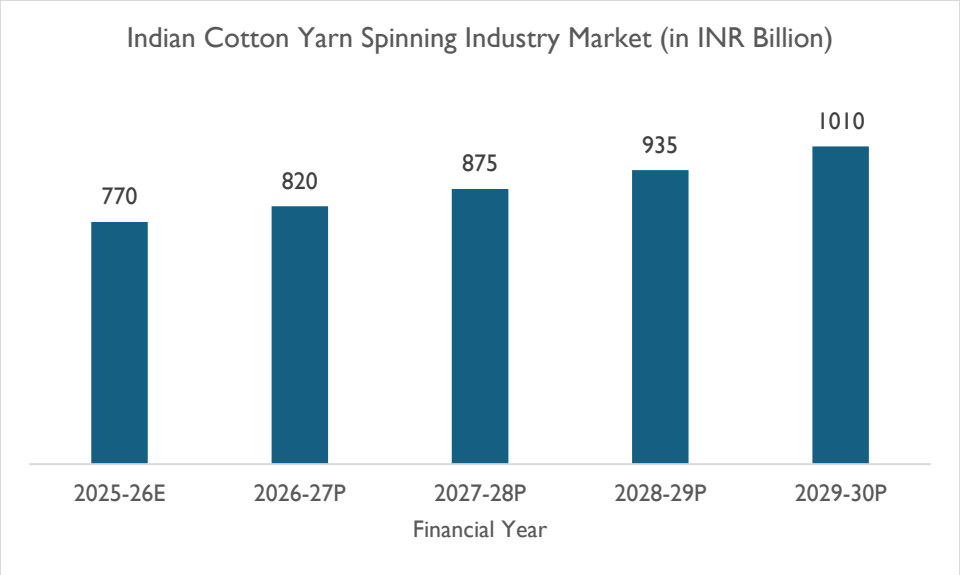
By End-Use



Source: Dun & Bradstreet Research

From an end-use perspective, garment remains the largest consumption segment for cotton yarn in India, accounting for 54% share in FY2025-26. Cotton yarn used in garment supports the manufacturing of clothing, fashion garments, denim and knitwear. Home textiles represent the second-largest end-use segment, contributing 24% of total consumption, with applications including bed linen, terry towels, curtains, and upholstery. Technical textiles account for 14% of cotton yarn consumption, largely driven by applications in medical textiles, protective clothing, and selected industrial uses, while the remaining 8% is attributed to other applications such as industrial fabrics, sewing threads, ropes, canvas, and bespoke manufacturing requirements.

Growth Outlook of the Indian Cotton Yarn Market



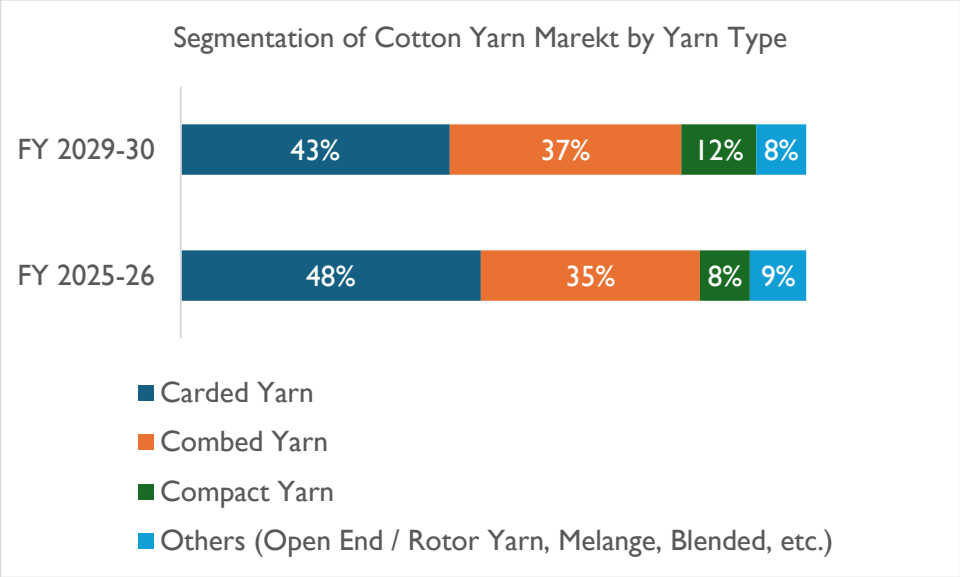
Source: Dun & Bradstreet Research

Going forward, the India cotton Yarn market is projected to reach INR 820 billion in FY2026-27, INR 875 billion in FY2027-28, INR 935 billion in FY2028-29 and INR 1,010 billion in FY2029-30 at a CAGR of 7.20% between FY26-FY30.

Growth is expected to be supported by continued expansion in textile and garment manufacturing, rising consumption of cotton-based garments and home textile products, increasing preference for sustainable natural fibres, and growing demand for value-added yarn categories such as combed and compact yarn. Additionally, ongoing government initiatives aimed at strengthening India's textile value chain, including the Production Linked Incentive (PLI) Scheme and PM MITRA textile parks, are expected to support investments across spinning, weaving, processing and garment manufacturing, thereby contributing to the long-term growth of the cotton yarn industry.

Projected Market Segmentation of Cotton Yarn Industry

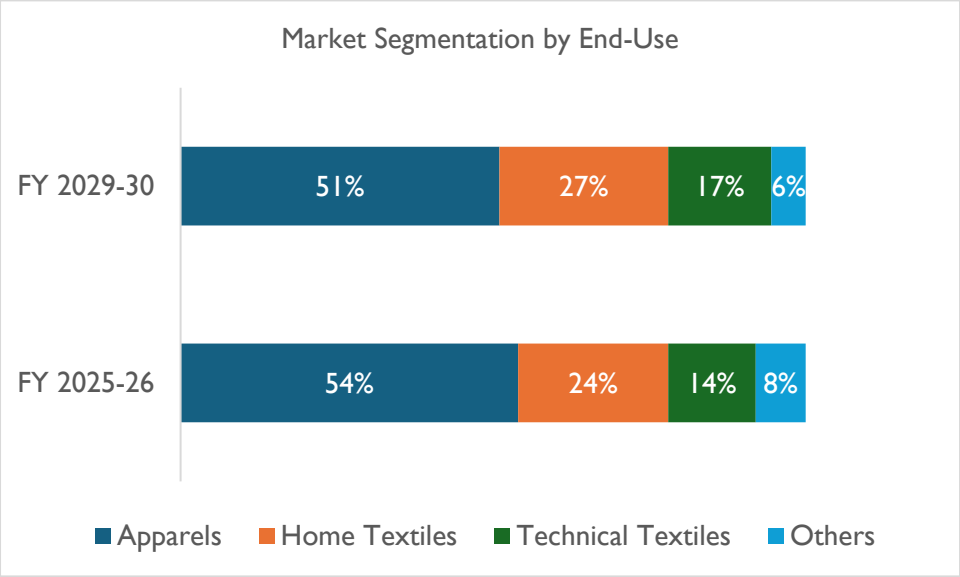
By Yarn Type



Source: Dun & Bradstreet Research

By FY2029-30, the product mix of the cotton yarn market is expected to gradually shift towards higher-value yarn categories. While carded yarn will continue to account for the largest share, its contribution is projected to decline from 48% to 43%, reflecting increasing demand for finer and premium-quality yarns. In contrast, combed yarn is expected to expand its share from 35% to 37%, supported by growing consumption of high-quality garment, knitted garments and export-oriented textile products. Compact yarn is projected to witness the strongest growth among all yarn categories, with its market share increasing from 8% to 12%, driven by rising adoption in premium fashion, performance textiles and high-end fabric manufacturing. Meanwhile, the share of other yarn categories is expected to decline marginally from 9% to 8%, as demand growth remains concentrated in carded, combed and compact yarn segments. Overall, the industry is expected to witness a gradual migration towards value-added yarn products, reflecting the increasing emphasis on quality, performance and premiumisation across the textile value chain.

By End-Use



Source: Dun & Bradstreet Research

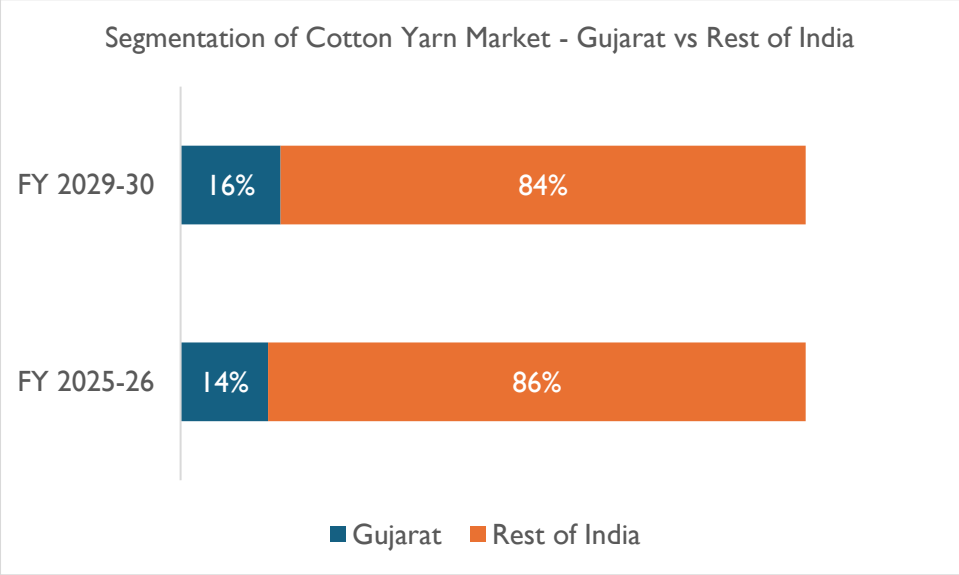
From an end-use perspective, cotton yarn consumption is expected to become more diversified by FY 2030. While garment will continue to dominate the market, its share is projected to moderate slightly from 54% to 51%. In contrast, home textiles are expected to increase their share from 24% to 27%, supported by growth in residential construction, home improvement spending, and hospitality-related demand. Technical textiles are projected to record the strongest growth among all end-use segments, with their share rising from 14% to 16.5%, driven by increasing adoption across healthcare, infrastructure, industrial, and functional textile applications. The share of the "others" category is expected to decline from 8% to 5.5%, reflecting the faster growth of garment, home textiles, and technical textiles relative to smaller industrial applications.

Overall, the Indian cotton spinning industry is expected to remain a key enabler of the country's textile value chain. While garment continues to dominate cotton yarn consumption, the gradual increase in the share of home textiles and technical textiles points towards a more diversified demand base. The industry's growth outlook is supported by domestic textile consumption, value-added yarn production, sustainable yarn solutions and policy support, although raw cotton price volatility will remain an important factor influencing yarn realizations and market value.

Gujarat Scenario

Gujarat Production Contribution in India's Cotton Yarn (By Value)

India's cotton yarn manufacturing landscape is concentrated across a few major textile-producing states, with **Gujarat** emerging as one of the most important and fastest-growing cotton yarn production hubs in the country. **The state is accounts for approximately 14% of the Indian cotton yarn market by value in FY2026 i.e. INR 107.8 billion.** The remaining 86% of the market is accounted for by other textile-producing states, led by Tamil Nadu, which continues to be India's largest spinning hub with nearly half of the country's installed spinning capacity. Major textile clusters across Tiruppur, Coimbatore and Erode support significant yarn production and consumption. Other important production and consumption centres include Maharashtra's powerloom belts in Bhiwandi and Ichalkaranji, Punjab's knitwear cluster in Ludhiana and the home textile ecosystem in Panipat.



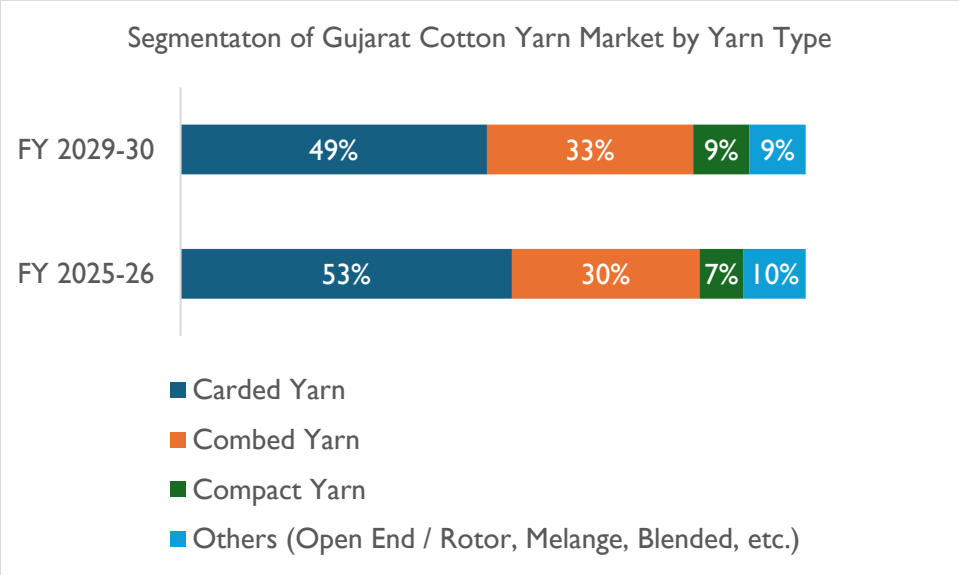
Source: Dun & Bradstreet Research

Gujarat's growing importance is supported by its position as one of India's largest cotton-producing states, providing spinning mills with reliable access to raw cotton and enabling lower procurement and logistics costs. The state has also witnessed substantial investments in spinning capacity in recent years, supported by f**avourable industrial policies, competitive power tariffs, proximity to major export gateways such as Mundra Port, and the government's "5F" (Farm to Fibre to Fabric to Fashion to Foreign)** vision aimed at strengthening the textile value chain.

In addition to its strong manufacturing base, Gujarat is a significant centre for downstream textile production and yarn consumption.

Ahmedabad remains the country's largest denim manufacturing cluster, accounting for an approximately **65-70% of India's denim fabric** production, while **Surat has emerged as a major hub for weaving, processing** and **textile** manufacturing. The presence of these downstream industries supports robust local demand for cotton yarn and facilitates greater value addition within the state. **As a result, Gujarat's contribution to the Indian cotton yarn market is expected to increase from 14% in FY2025-26 to 16% by FY2029-30**, driven by continued capacity additions, increasing downstream integration and the development of textile infrastructure projects such as the PM MITRA park in Navsari.

Gujarat Cotton Yarn Market by Yarn Type



Source: Dun & Bradstreet Research

Of the INR 107.8 billion Gujarat cotton yarn market in FY2025-26, carded yarn constitutes the largest segment, accounting for approximately 53% of market value. The segment benefits from widespread usage across denim manufacturing, woven fabrics, home textiles and other high-volume textile applications. Gujarat's large integrated textile ecosystem, particularly the concentration of denim production in Ahmedabad and weaving operations across the state, continues to support strong demand for carded yarn. Combed yarn represents the second-largest segment, contributing approximately 30% of market value. The segment is primarily consumed in higher-quality knitting and weaving applications where improved yarn uniformity, softness and strength are required. Compact yarn, including premium variants such as EliTwist technology-based compact yarn, accounts for around 7% of the market and caters to value-added textile products, premium garment and export-oriented fabric manufacturing. The remaining 10% comprises other yarn categories, including open-end (rotor) yarn, mélange yarn and blended yarns, with open-end yarn

finding significant application in Gujarat's well-established denim value chain. However, by FY2029-30, the product mix of Gujarat's cotton yarn market is expected to gradually shift towards higher-value yarn categories. While carded yarn will continue to remain the largest segment, its share is projected to decline from 53% to 49% as textile manufacturers increasingly focus on producing finer-count and premium-quality products. Combed yarn is expected to strengthen its position, with market share increasing from 30% to 33%, supported by growing demand from knitting, garmenting and export-oriented textile manufacturers. Compact yarn is projected to record the fastest growth among all yarn segments, expanding its share from 7% to 9%, driven by investments in advanced spinning technologies, rising production of premium fabrics and increasing demand from international markets. Meanwhile, the share of other yarn categories is expected to moderate slightly from 10% to 9%, reflecting stronger growth in combed and compact yarn relative to conventional speciality yarn segments.

Overall, Gujarat's cotton yarn industry is expected to witness a gradual transition from conventional yarn grades towards higher-quality and value-added yarn products. While carded yarn will continue to account for a substantial proportion of consumption due to the state's large-scale denim and fabric manufacturing base, the increasing adoption of combed and compact yarns highlights the ongoing shift of Gujarat's textile sector towards premiumisation, improved fabric quality and higher-value textile production.

Key Demand Drivers

The demand for cotton yarn is directly related to the demand scenario prevalent in the domestic textile industry. Being the primary input material used for cotton textiles, factors that have an impact on the overall textile as well as cotton textile industry have a direct impact on cotton yarn demand. Some of the key factors that have an impact on the larger textile and cotton textile industry include:

Access to a large urban population, India’s young demographic profile, availability of raw materials, the existence of an integrated value chain, government support, and technology upgradation are major factors that contribute to the growth of overall textile sector.

Access to large base of urban population

India has been undergoing a significant demographic transformation over the past three decades and, with a population exceeding 1.4 billion, has emerged as the world's most populous country. The country's expanding middle class, rising disposable incomes and increasing consumer spending are supporting growth across multiple consumer sectors, including textiles and garment. Demand for textile products has historically demonstrated a strong correlation with urbanisation, as urban consumers generally exhibit

higher purchasing power, greater preference for branded products and stronger participation in organised retail and e-commerce channels.

Urbanisation in India continues to gather momentum, supported by migration from rural areas and the expansion of economic opportunities in cities. As of September 2026, India's urban population share stood at approximately 37.6% of the total population[43], indicating that a substantial rural-to-urban transition potential still exists, particularly across Tier II and Tier III cities. This urbanisation trend is expected to continue over the long term as economic development, infrastructure investment and employment opportunities become increasingly concentrated in urban centres.

India's capital, New Delhi, has been identified among the world's fastest-growing major cities in terms of population and economic activity. Furthermore, India's urban population is projected to exceed 600 million by 2031[44], reflecting the continued expansion of urban centres and the growing concentration of consumers in city-based markets. This expanding urban consumer base is expected to support demand for a broad range of consumer goods, including textile and garment products.

These long-term trends of urbanisation, rising incomes and population growth have created a large and growing market for textile products in India. Cotton-based textile products have traditionally been widely preferred by Indian consumers owing to their comfort, versatility and suitability for climatic conditions. Consequently, increasing urban consumption is expected to support demand for cotton textiles and, in turn, drive sustained demand for cotton yarn across the textile value chain.

Higher demand from rural areas

Traditionally, demand for textile products was lower in rural areas because of lower disposable income of rural consumer compared with that of their urban peers. However, the difference in disposable income has been improving in favor of rural consumers due to higher employment by means of government sponsored job outreach programs like MNREGA. Consequently, rural consumer base has increased, and rural income growth has been supporting the growth of textile products.

Changes in spending pattern

Spending pattern of the new class of consumer segment with higher disposable income has turned out to be entirely different from previous existing consumer segments. Spending on consumer durables and non-durables has seen a particular increase as this new consumer class mirrors the spending pattern observed in advanced economies. Exposure to consumption pattern and lifestyle pattern in western economies has

[43] UN World Population Prospects 2024
[44] CII

played a role in this change. Consequently, the frequency of spending on clothing products among this new consumer segment has gone up.

Growth in Fashion Industry

The fashion industry in India is evolving rapidly, and demand for fast-fashion products is witnessing a surge. This is driven by changing consumer preferences, increasing disposable incomes, and the influence of social media. This growth trend is reshaping the retail landscape and creating significant opportunities for both established and emerging brands.

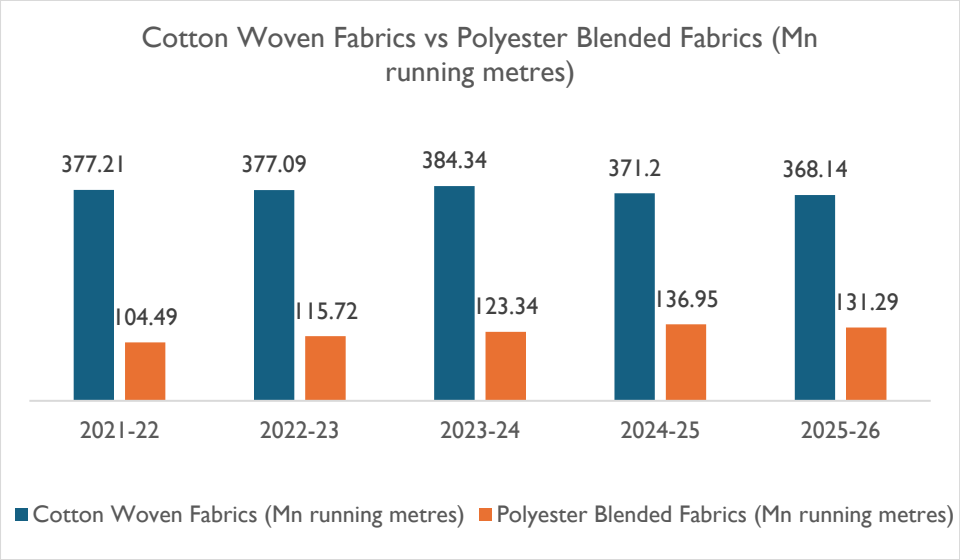
The primary drivers of this demand for fast fashion are Millennials and Gen Z consumers, who are increasingly seeking affordable yet trendy clothing options. According to the UN World Population Prospects 2024, India has the world's largest Gen Z population, with around 407 million people aged 14-29 years in 2026, [45]Fast fashion brands cater to this demographic by offering a constant stream of new styles that align with current trends. Reports indicate that these consumers are not only purchasing more frequently but also experimenting with diverse styles, influenced heavily by social media platforms like Instagram. The ability of fast fashion brands to quickly identify and capitalize on viral trends has become a crucial factor in their success.

This has directly resulted in higher demand for all kinds of textile products, and consequently for all type of textile input materials including cotton yarn.

Rise in organized retail sector as well as e-commerce

The rise of organised retail and e-commerce in India has significantly contributed to the increased demand for textile and garment products. These platforms have expanded consumer access to a wider range of garment categories, offering convenience, competitive pricing, discounts and broader product availability across urban as well as tier 2 and tier 3 markets. The enhanced consumer experience through digital platforms, personalised recommendations and hassle-free returns has further supported garment consumption and encouraged more frequent purchases.

[45] U.N World Population Prospects 2024



Source: CMIE

The impact of this expanding garment consumption base is reflected in the production trend of key fabric categories. Cotton woven fabric production remained at a sizeable level, increasing from 377.21 million running metres in FY 2021-22 to 384.34 million running metres in FY 2023-24, before moderating to 368.14 million running metres in FY 2025-26. During the same period, polyester blended fabric production increased from 104.49 million running metres in FY 2021-22 to 131.29 million running metres in FY 2025-26, indicating growing demand for blended fabrics used across affordable fashion, casualwear and mass-market garment segments.

The growth of organised retail, e-commerce platforms and social media-led fashion discovery has widened the reach of garment products and strengthened demand across multiple fabric categories. This, in turn, supports demand for upstream textile inputs, including cotton yarn, blended yarn and other value-added yarns used in woven and blended fabric manufacturing. As garment brands and retailers increasingly focus on faster product cycles, wider product assortments and affordable fashion offerings, demand for consistent and scalable textile input materials is expected to remain supported.

India's Strong Cotton Production Base

India is one of the world's largest cotton-producing countries and occupies a strategically important position in the global cotton value chain. The country has the largest cotton acreage globally, accounting for approximately 39.67% of the world's cotton cultivation[46] and contributed around 20% of global cotton production in the 2025-26 cotton marketing year[47], ranking as the second-largest cotton producer with

[46] USDA

23.8 million bales (480 lb)[48]and consumer globally. India is also unique in being one of the few countries cultivating all four major cotton species, providing availability of a wide range of cotton varieties suitable for diverse textile and spinning applications.

The large domestic cotton base provides a significant raw material advantage to the country's spinning industry by ensuring access to locally available cotton, reducing dependence on imported fibre, supporting integrated cotton-to-yarn manufacturing, and strengthening India's competitiveness in global textile markets. The availability of cotton across major producing states such as Gujarat, Maharashtra, Telangana, Madhya Pradesh and Rajasthan has facilitated the development of large spinning clusters across the country. India today possesses the world's second-largest spinning capacity and is one of the leading producers of cotton yarn globally, supported by its extensive domestic cotton ecosystem.

Export Demand & Global Market Linkages

India is one of the world's leading exporters of cotton yarn. As a result, global demand for textiles and garment serves as a key demand driver for the Indian cotton spinning industry. Strong consumption of garment, home textiles and textile products across major importing markets such as Bangladesh, China, Türkiye, Vietnam and other textile manufacturing hubs directly influences yarn demand from Indian spinning mills**.**

The industry's export orientation enables manufacturers to access a broader customer base beyond the domestic market, diversify revenue streams and benefit from growth in global textile value chains. Consequently, trends in international textile production, garment exports, sourcing strategies of global brands, trade policies and competitiveness of Indian yarn in overseas markets have a significant bearing on demand for cotton yarn. A detailed analysis of cotton yarn export and import trends, major destination markets, sourcing patterns and trade dynamics is presented in the Trade Analysis section.

Trade Scenario of the Indian Cotton Industry

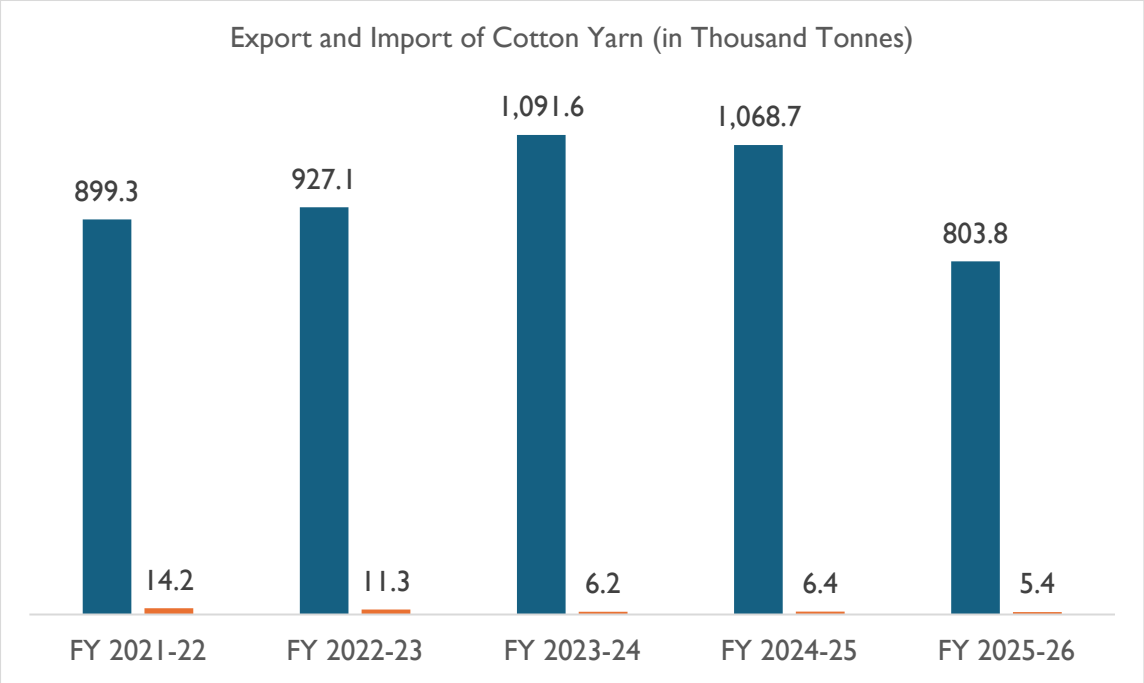
India is an important participant in the global cotton yarn trade, supported by its large cotton production base, extensive spinning infrastructure and strong presence across international textile supply chains. The country exports a wide range of cotton yarn products to major textile manufacturing economies, where Indian yarn serves as a key raw material for weaving, knitting and garment production. As a result, international trade remains an important demand driver for the domestic cotton spinning industry and has a significant influence on yarn production, capacity utilisation and price realisations.

[48] USDA

To provide a comprehensive understanding of India's cotton yarn export landscape, the trade scenario has been analysed at both the aggregate and product-specific levels. The analysis begins with **cotton yarn trade under HSN 5205, followed by a detailed review of Combed Cotton TFO Double Yarn (Grey[49]) and Cotton Carded TFO Double Yarn (Grey),** enabling a more granular understanding of market dynamics, export competitiveness and trade opportunities across key product categories.

Cotton Yarn

India has consistently remained a net exporter of cotton yarn under HSN 5205, with export values significantly exceeding imports throughout FY2021-22 to FY2025-26. The country's strong export position reflects its large spinning capacity, abundant cotton availability and established presence in global textile supply chains. During the review period, cotton yarn export volumes remained above 899 thousand tonnes, reaching a peak of 1.09 million tonnes in FY2023-24, while imports accounted for only a small fraction of overall trade, underscoring India's competitiveness in the global cotton yarn market.

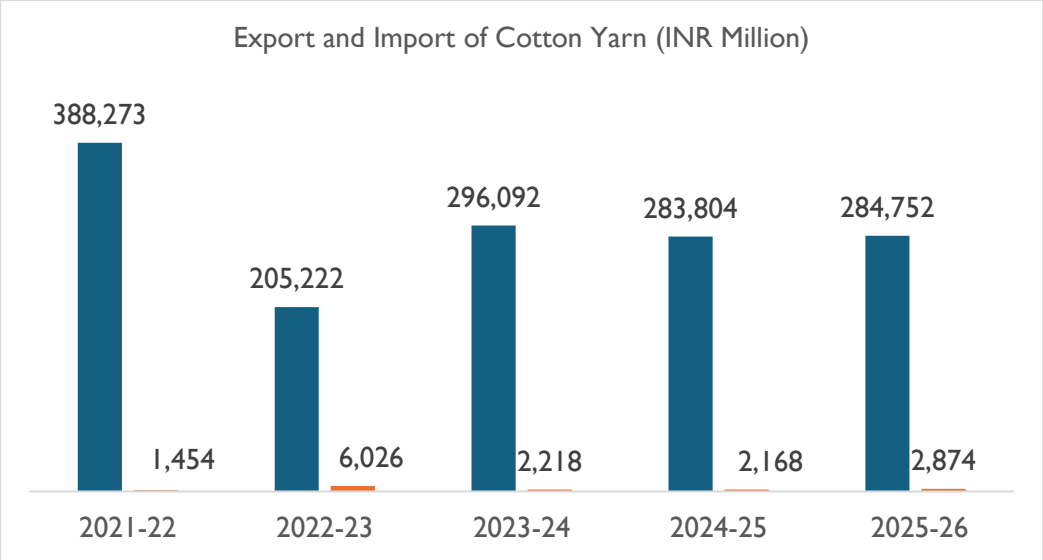


Source: Ministry of Commerce

Export volumes increased from 899.3 thousand tonnes in FY2021-22 to 927.1 thousand tonnes in FY2022-23, before reaching 1,091.6 thousand tonnes in FY2023-24. Although exports moderated marginally to 1,068.7 thousand tonnes in FY2024-25, volumes remained significantly above historical levels, indicating sustained demand from major textile manufacturing centres. In FY2025-26, export volume stood at 803.8

[49] Grey yarn refers to yarn in its natural, unfinished state that has not undergone any dyeing, bleaching, mercerising, colouring or other wet-processing treatments.

thousand tonnes for the period reported, suggesting continued export momentum supported by demand from key markets such as Bangladesh, China, Vietnam and Egypt.



Source: Cotton Association of India, Ministry of Commerce

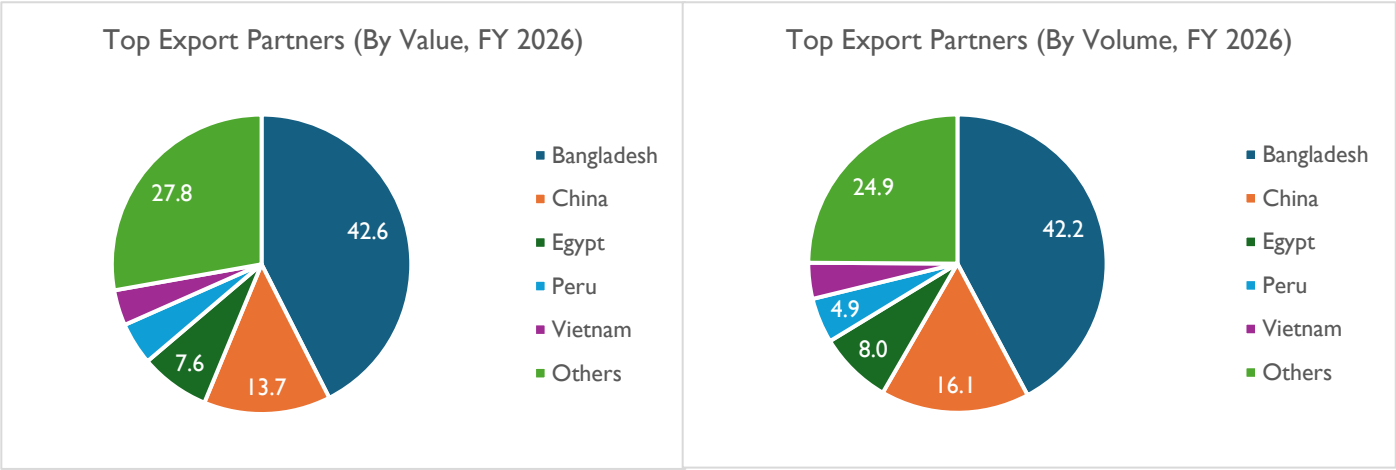
In value terms, exports exhibited greater volatility, primarily reflecting fluctuations in cotton prices, yarn realisations and global textile demand. Export value declined sharply from INR 388,273 million in FY2021-22 to INR 205,222 million in FY2022-23, driven by weaker global demand conditions, correction in cotton prices and inventory adjustments across major textile-producing economies. However, export value recovered to INR 296,092 million in FY2023-24, supported by improving demand and stabilisation in raw material markets. Exports subsequently moderated to INR 283,804 million in FY2024-25 and remained broadly stable at INR 284,752 million in FY2025-26, indicating resilience in overseas demand despite softer international yarn prices.

In contrast, imports remained relatively limited throughout the period, highlighting India's strong domestic manufacturing capabilities. Import volumes declined from 14.2 thousand tonnes in FY2021-22 to 5.4 thousand tonnes in FY2025-26, while import value increased from INR 1,454 million to INR 2,874 million during the same period. The divergence between import volume and value suggests increasing imports of specialised or higher-value yarn grades rather than a broad-based rise in import dependence. Imports are primarily driven by requirements for specific yarn counts, fibre characteristics and niche downstream applications that may not be readily available from domestic suppliers.

Major Export and Import Partners

Top Export Destinations for Cotton Yarn

The trade pattern of cotton yarn reflects a high level of concentration on both the export and import sides. On the export front, nearly half of the shipments are directed to Bangladesh (42.6%), making it the dominant market due to its strong textile manufacturing sector. Other countries such as China (13.6%), Egypt (7.6%), Peru (4.65) and Vietnam (3.8%) hold relatively small shares, while other markets 27.8% collectively contribute a significant but fragmented portion. This indicates that although exports are spread across multiple regions, there is a heavy reliance on a single country, increasing exposure to demand or policy changes in that market.



Source: CMIE

Bangladesh (42.2% by volume; 42.6% by value)

Bangladesh is one of the world's largest garments exporting nations and has a significant requirement for imported cotton yarn to support its export-oriented garment sector. Domestic spinning capacity remains insufficient relative to the scale of fabric and garment manufacturing, resulting in sustained reliance on imported yarn. Close geographical proximity to India enables shorter lead times, lower logistics costs and greater supply chain flexibility. Strong sourcing linkages between Indian spinning mills and Bangladeshi garment manufacturers continue to support demand.

China (16.1% by volume; 13.7% by value)

China imports cotton yarn to supplement domestic production and meet requirements of its large textile and fabric manufacturing industry. Fluctuations in domestic cotton availability and relative price competitiveness influence import demand. Imports are also driven by requirements for specific yarn counts and quality grades that can be sourced competitively from India. Recovery in textile production and normalization in domestic cotton output are expected to support demand from Chinese textile

manufacturers. Export demand has softened in recent periods, particularly from China and Bangladesh, two of India's largest cotton yarn markets. Exports to China declined primarily due to higher domestic cotton production, reducing its dependence on imported yarn. Meanwhile, shipments to Bangladesh were adversely impacted by restrictions on yarn imports through land routes, affecting trade flows despite the country's continued importance as a major textile manufacturing base.

Egypt (8.0% by volume; 7.6% by value)

Egypt possesses an established textile and weaving industry catering to both domestic and export markets. Rising investments in textile manufacturing and government efforts to strengthen textile exports are supporting yarn consumption. Imported cotton yarn helps meet requirements of downstream weaving, knitting and home textile manufacturers. Growth in regional and international textile exports continues to create demand for imported raw materials.

Peru (4.9% by volume; 4.6% by value)

Peru has a well-established cotton garment and knitwear industry that caters to premium export markets. Imports supplement domestic yarn availability and support higher-value garment manufacturing. Demand is driven by producers of knitted garments and premium cotton garment serving international brands. Indian cotton yarn benefits from its broad product range and ability to cater to varying quality requirements.

Vietnam (3.9% by volume; 3.8% by value)

Vietnam remains one of the world's leading textile and garment manufacturing centres and a major exporter of garment to the US and Europe. Limited domestic cotton production necessitates imports of cotton yarn and other textile inputs. Expansion of export-oriented garment manufacturing capacity continues to support demand for imported yarn. Trade agreements with major consumer markets are encouraging investments in textile production and increasing raw material requirements.

Export Promotion Strategy

The Government has also adopted a focused export promotion and market-diversification strategy covering 40 priority countries. As of July 2026, 16 Free Trade Agreements (FTAs) are in force[50], including the recently concluded India–United Kingdom Comprehensive Economic and Trade Agreement (CETA), the India-EU FTA, and the India-Oman Comprehensive Economic Partnership Agreement. These FTAs provide an opportunity for Indian textiles and garment sector to enhance their exports and undertake market diversification.

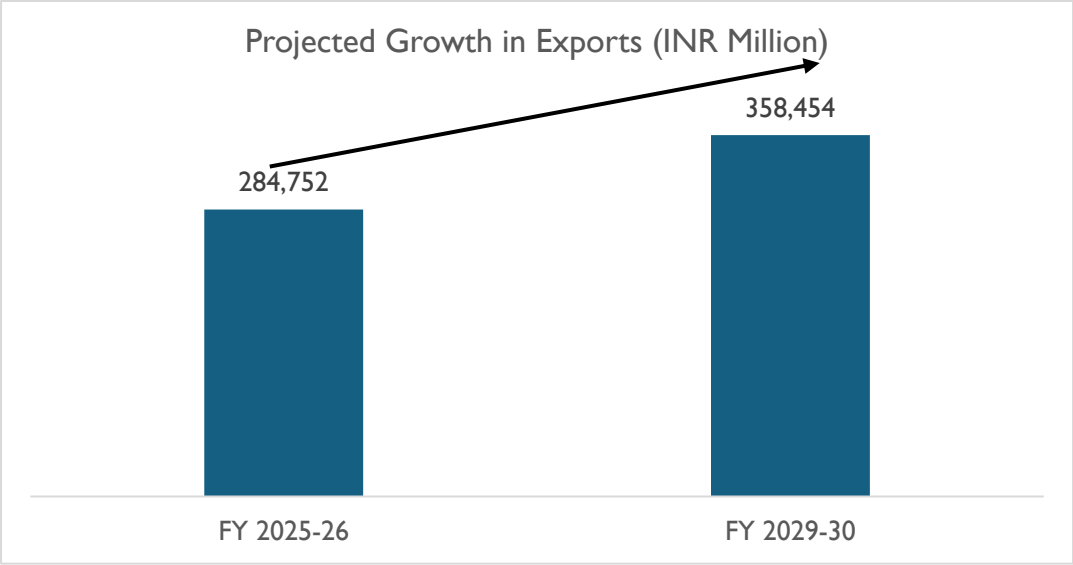
[50] Textile Export, PIB

Among these, the India-UK Free Trade Agreement, signed in July 2025 and effective from July 2026[51], is particularly significant for the textile sector as it provides preferential access for Indian textile and garment products to one of the world's largest garment import markets. The agreement is expected to improve the competitiveness of Indian textile exports relative to competing suppliers and support increased participation in the UK's textile and garment supply chain.

The UK represented one of India's key export destinations for textiles and garment, with exports increasing from INR16,6790 million in FY 2023-24 to INR 19,6520 million in FY 2025-26[52], reflecting the importance of the market for Indian manufacturers. The FTA is expected to further support export growth by facilitating greater penetration of Indian textile products into the UK market.

For cotton spinning companies, improved access to overseas markets is expected to strengthen demand for cotton yarn, fabrics, garments, and value-added textile products. The agreement is also likely to benefit manufacturers producing premium and specialty yarns used in export-oriented garment and home textile applications, thereby supporting capacity utilisation and long-term growth across the textile value chain.

Export Outlook of the Indian Cotton Yarn Market



Source: Dun & Bradstreet Research

Cotton yarn exports are projected to increase from INR 284,752 million in FY2025-26 to approximately INR 358,454 million by FY2029-30, registering a CAGR of approximately 5.9% during the forecast period.

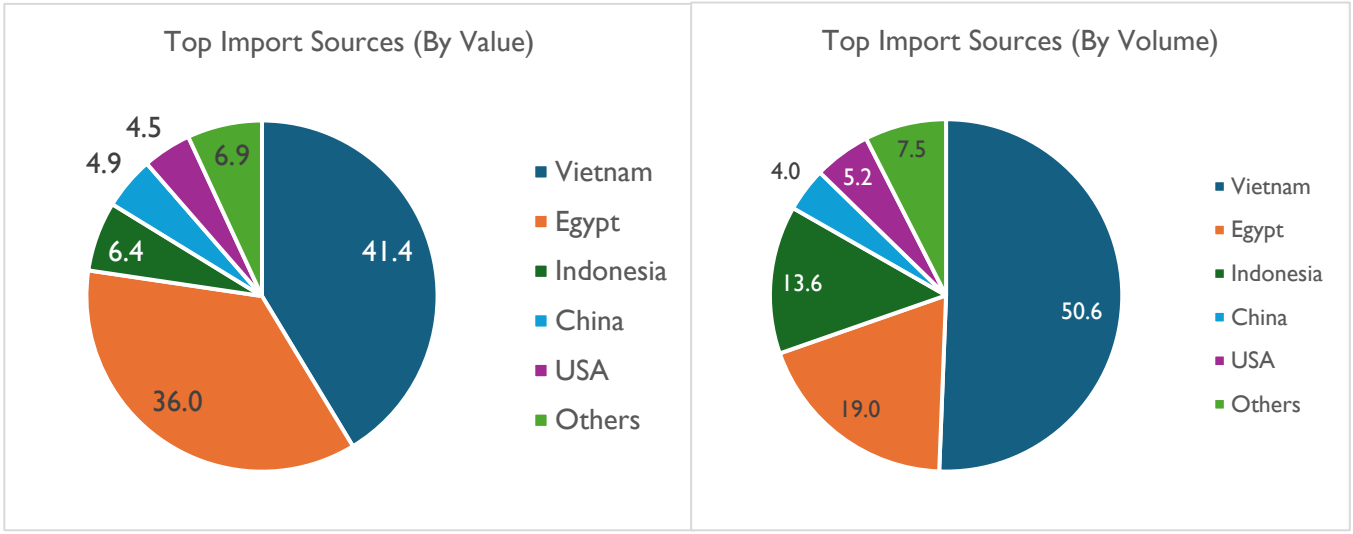
Growth in exports is expected to be supported by India's strong position as a global cotton yarn supplier, extensive spinning capacity, abundant raw cotton availability and established trade relationships with major

[51] Government of UK
[52] PIB

textile manufacturing hubs such as Bangladesh, China, Vietnam and Egypt. Continued demand from downstream textile, garment and home textile manufacturers, coupled with India's ability to offer a broad range of yarn counts and specifications, is expected to support export volumes over the forecast period.

Additionally, increasing adoption of value-added yarn categories, including combed and compact yarn, growing emphasis on sustainable cotton-based textile products and ongoing investments in spinning efficiency and quality enhancement are expected to strengthen India's competitiveness in international markets. The country's integrated textile ecosystem and favourable policy initiatives aimed at improving textile manufacturing and exports are also expected to support long-term export growth.

Top Import Sources



Source: CMIE

Cotton yarn imports into India are concentrated among a limited number of supplier countries. In FY 2025-26, Vietnam was the largest source of imports, accounting for 50.6% of import volume (4,710.30 tonnes) and 41.4% of import value (INR 1188.40 million). The country's higher share in volume than value indicates a relatively competitive pricing position compared with other supplier nations.

Egypt emerged as the second-largest source, contributing 19.0% of import volume (1,771.20 tonnes) but a substantially higher 36.0% share of import value (INR 1035.20 million). The disparity between volume and value shares reflects the premium pricing of Egyptian cotton yarn, which is manufactured from high-quality extra-long staple cotton (ELS)[53] and is widely preferred for premium textile applications. Notably, India currently enjoys a favourable policy environment for importing ELS cotton, with imports exempted from

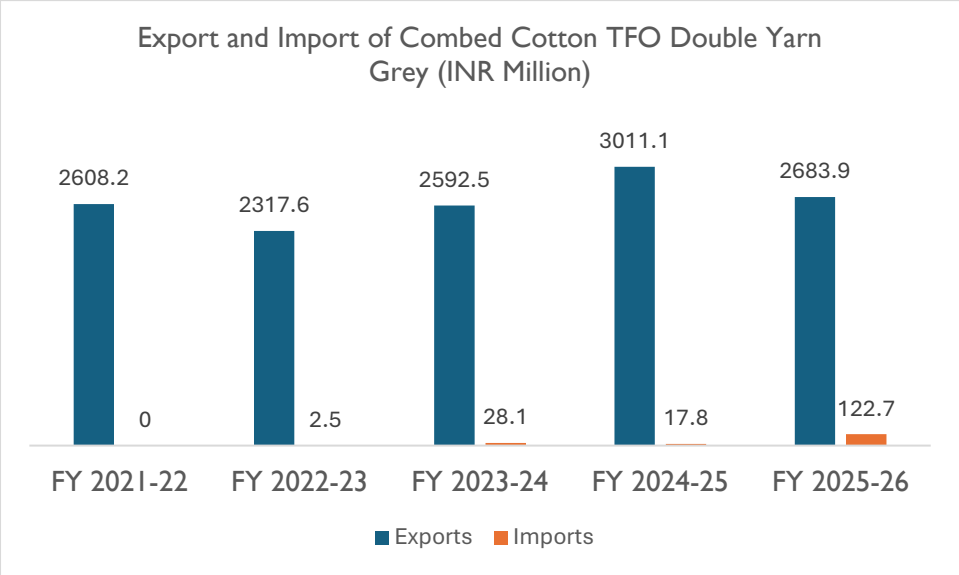
[53] Extra-long staple (ELS) cotton refers to premium-quality cotton having a staple fibre length of more than 32 mm

customs duty.[54] Since domestic production of ELS cotton remains significantly below industry requirements, the duty exemption facilitates access to premium cotton varieties enabling Indian spinners and textile manufacturers to produce high-count yarns, luxury garments, and premium home textiles more competitively. This is expected to support value-added textile manufacturing, improve export competitiveness, and partially reduce dependence on imported premium yarns.

Indonesia accounted for 13.6% of import volume and 6.4% of import value, while China contributed 4.0% of volume and 4.9% of value. The United States supplied 5.2% of import volume and 4.5% of import value. Collectively, these five countries accounted for over 92% of India's cotton yarn import value and approximately 93% of import volume, highlighting the concentrated nature of the country's import sourcing pattern.

Combed Cotton TFO Double Yarn (Grey)

India has consistently remained a net exporter of Combed Cotton TFO Double Yarn (Grey), with export values substantially exceeding imports throughout FY 2021-22 to FY 2025-26. Export realisations ranged from approximately INR 2,318 million to INR 3,011 million, while imports remained negligible in comparison, indicating strong domestic manufacturing capabilities and international competitiveness in this specialised yarn category.



Source: Ministry of Commerce

Export value declined from INR 2,608.2 million in FY 2021-22 to INR 2,317.6 million in FY 2022-23, reflecting the impact of global demand moderation, inventory correction by textile buyers and macroeconomic uncertainties across key export destinations. However, exports subsequently recovered

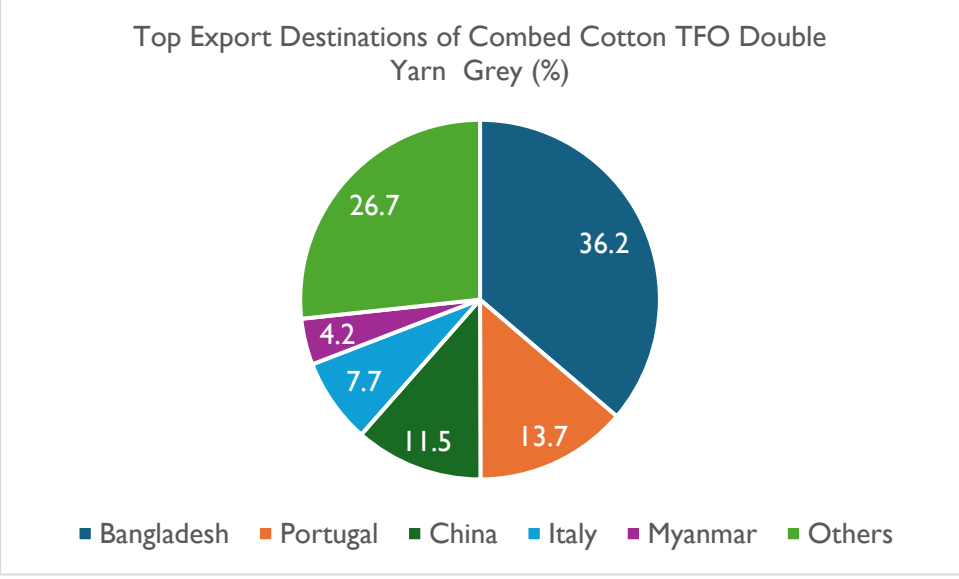
[54] The Gazette of India, February 2024

to INR 2,592.5 million in FY 2023-24 and further increased to INR 3,011.1 million in FY 2024-25, driven by improving demand from textile manufacturing hubs, stabilisation in cotton prices and gradual recovery in downstream garment and home textile exports. Although exports moderated slightly to INR 2,683.9 million in FY 2025-26, they remained significantly above pre-recovery levels, highlighting the resilience of India's cotton yarn export ecosystem.

In contrast, imports were nearly absent during the period, with only from nil in FY 2021-22 to INR 122.7 million in FY 2025-26. The limited import dependence suggests that domestic manufacturers possess adequate spinning, doubling and value-added yarn processing capacity to meet local demand. The increase in imports during FY 2025-26 may be attributable to procurement of specific yarn specifications, quality grades or opportunistic imports from lower-cost producing countries; however, imports continue to represent only a small fraction of export value.

Major Export and Import Partners

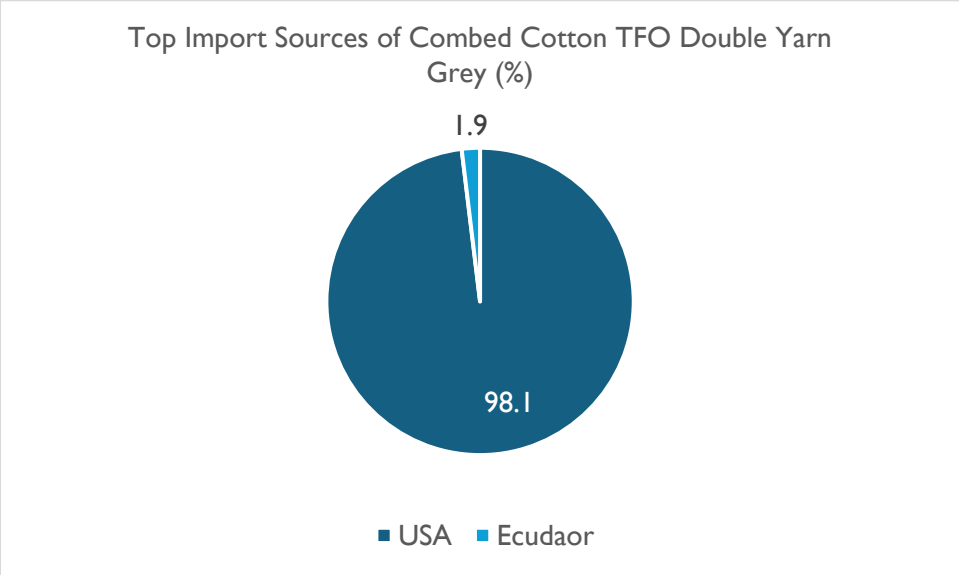
India's export market for Combed Cotton TFO Double Yarn (Grey) is characterized by a diversified customer base across major textile manufacturing economies, highlighting the country's role as a key supplier within the global cotton yarn value chain. In FY 2025-26, Bangladesh emerged as the largest export destination, accounting for approximately 36.2% of total exports. Bangladesh's textile industry relies significantly on imported yarn to support its extensive garment export sector, creating sustained demand for high-quality cotton yarn from neighbouring countries such as India.



Source: Ministry of Commerce

Portugal (13.7%), China (11.5%), Italy (7.7%) and Myanmar (4.2%) collectively accounted for a significant share of exports, while other countries represented approximately 26.7% of total shipments. Exports to Portugal and Italy underscore India's integration into the European textile value chain, where imported yarn is used in value-added fabrics, garment and home textile products. China, despite being a major cotton yarn producer itself, continues to import specialised yarn grades and supplements domestic supply through imports when market conditions warrant.

The concentration of exports in textile manufacturing centres highlights that demand for Combed Cotton TFO Double Yarn (Grey) is closely linked to global garment, home textile and fabric production trends. Growth in garment exports from Bangladesh, China's textile processing sector and European textile manufacturing activity therefore remains an important demand driver for Indian yarn exporters.



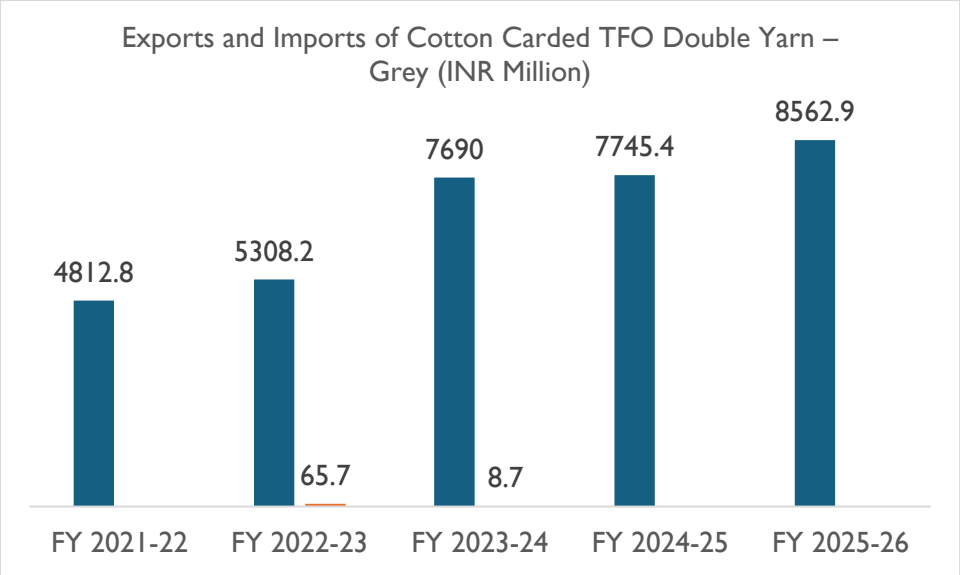
Source: Ministry of Commerce

On the import side, the market exhibits a highly concentrated sourcing pattern. In FY 2025-26, the United States accounted for approximately 98.1% of imports and Ecuador contributing the remaining 1.9%. The overwhelming dominance of the United States as a source market suggests that imports are likely targeted toward specific yarn qualities, cotton varieties or product specifications not readily available in the domestic market. Given the negligible overall import volumes relative to exports, these imports appear to complement domestic supply rather than compete directly with Indian production.

Cotton Carded TFO Double Yarn – Grey

India's trade performance in Cotton Carded TFO Double Yarn (Grey) reflects a strong export-oriented market with limited reliance on imports. Export value increased significantly from approximately INR 4,812.8 million in FY 2021-22 to INR 8,562.9 million in FY 2025-26, representing a CAGR of approximately

15.5% during the period. This growth highlights the increasing acceptance of Indian cotton yarn in international markets, supported by the country's abundant cotton availability, large spinning capacity and competitive manufacturing ecosystem.

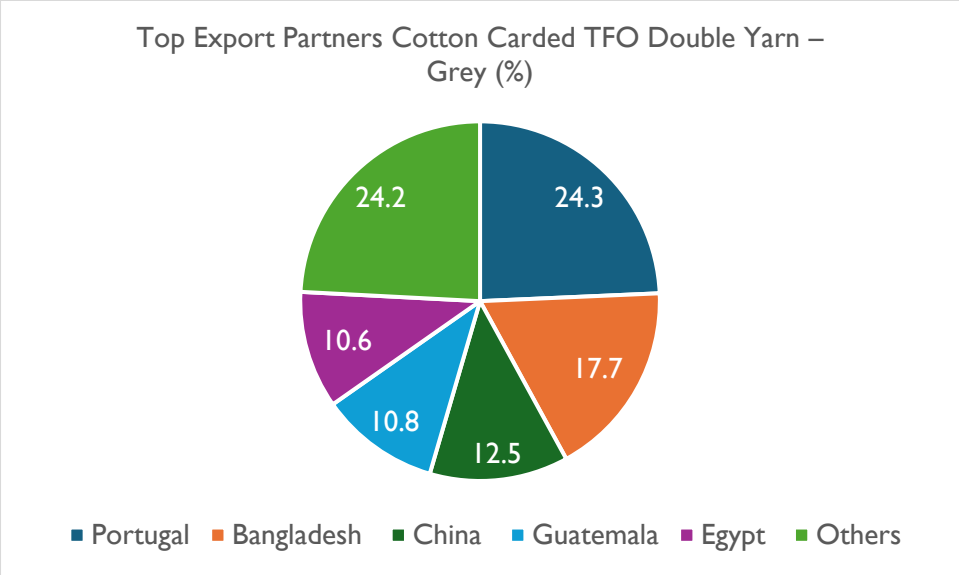


Source: Ministry of Commerce

Exports grew steadily from INR 4,812.8 million in FY 2021-22 to INR 5,308.2 million in FY 2022-23, before witnessing a sharp increase to INR 7,690.0 million in FY 2023-24. Export levels remained elevated at INR 7,745.4 million in FY 2024-25 and further expanded to INR 8,562.9 million in FY 2025-26, indicating sustained demand from overseas textile and garment manufacturing centres. The strong export trajectory suggests that Indian producers have been able to capitalise on global sourcing diversification, competitive pricing and the country's integrated cotton textile value chain.

In contrast, imports remained negligible throughout the period, amounting to only INR 65.7 million in FY 2022-23 and INR 8.7 million in FY 2023-24.

Major Export Partners



Source: Ministry of Commerce

India's exports of Cotton Carded TFO Double Yarn (Grey) are distributed across several key textile and garment manufacturing markets, reflecting the country's strong position in global cotton yarn trade. Portugal emerged as the largest export destination, accounting for 24.3% of exports in FY 2025-26, followed closely by Bangladesh at 17.7%.

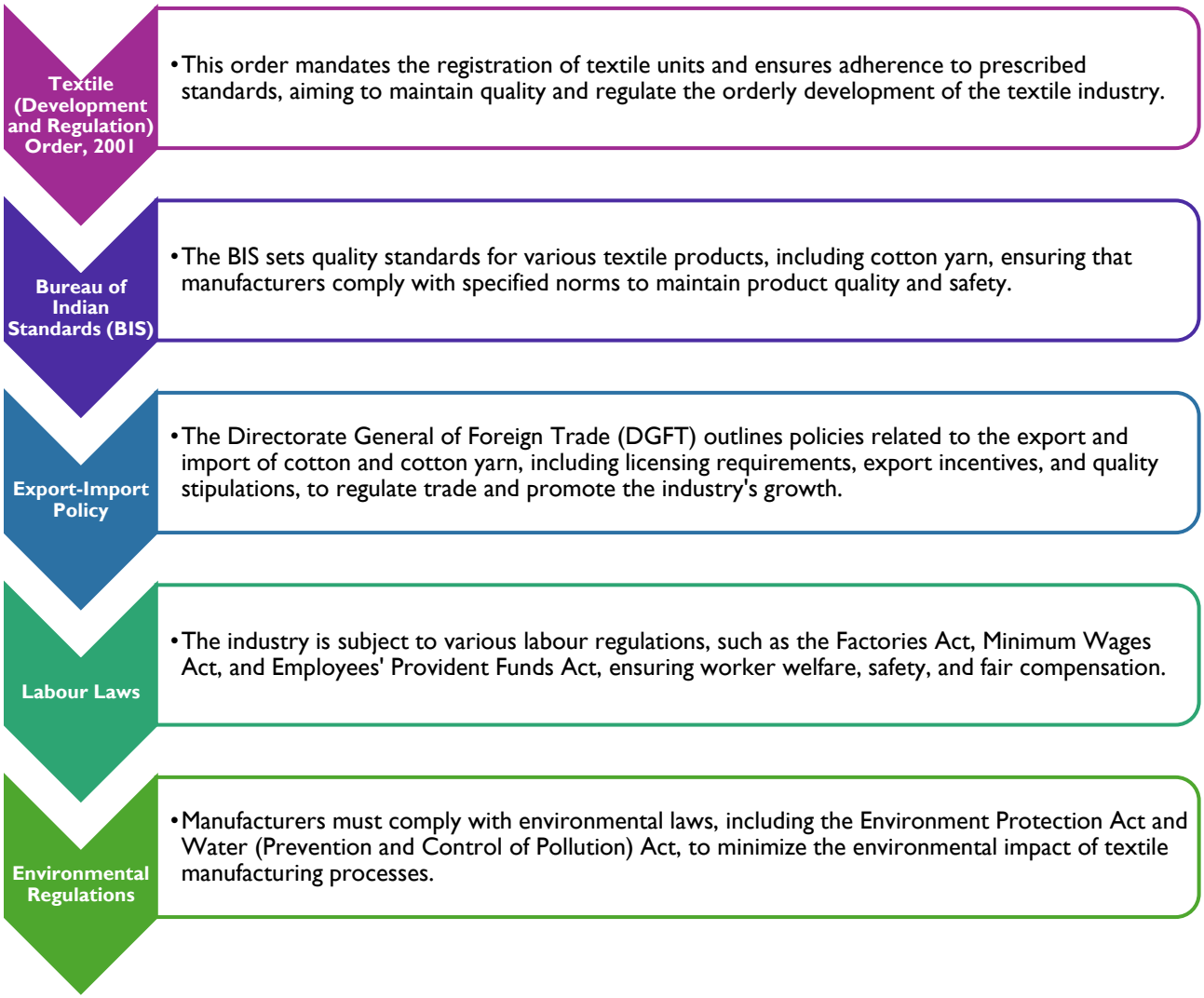
Other major export destinations included China (12.5%), Guatemala (10.8%), and Egypt (10.6%), all of which have established textile and fabric manufacturing sectors. The remaining 24.2% of exports were spread across various international markets.

Regulatory Landscape

The textile industry has consistently received significant government focus due to its positive impact on employment and the substantial foreign exchange it generates through exports. This special attention is evident through the introduction and amendment of various acts, policies, and schemes over time. These measures were implemented to foster the growth of a robust manufacturing infrastructure and encourage the export of textile products.

Regulatory Policies Governing the Cotton Yarn / Spinning Industry in India

The cotton yarn manufacturing sector in India operates under a comprehensive regulatory framework designed to ensure quality, promote sustainable practices, and protect the interests of stakeholders:



2001 – Textile (Development and Regulation) Order, 2001

The Textile (Development and Regulation) Order, 2001 provides the foundational regulatory framework for India's textile industry. It governs the registration and regulation of textile manufacturing units, including spinning mills, and aims to ensure the orderly development of the textile sector while maintaining oversight of manufacturing operations.

Very recently the Ministry of Textiles has amended the Textiles (Development and Regulation) Order, 2001, reducing the mandatory hank yarn packing obligation for producers from 30% to 20% of domestic consumption, effective from July 1, 2026, to June 30, 2029.

The revised norms aim to balance the needs of the handloom sector with operational flexibility for the spinning industry.

Bureau of Indian Standards (BIS) Requirements

Cotton spinning companies are subject to quality standards prescribed by the Bureau of Indian Standards (BIS) for various textile products. Compliance with applicable standards helps ensure product quality, consistency, and market acceptance across domestic and export markets.

Under this, the Ministry of Textiles in February 2023 notified The Cotton Bales (Quality Control) Order, 2023 to make compliance with IS 12171:2019 mandatory for cotton bales sold in the domestic market. The order aimed to standardise quality parameters for cotton bales, including aspects such as moisture content, contamination levels and other prescribed specifications. However, on June 9, 2026, the Ministry withdrew the order providing regulatory relief to MSME ginners and traders from increased compliance costs and the significant investments required to meet prescribed quality parameters.

For the technical textiles sector, regulatory oversight has expanded significantly in recent years. Quality Control Orders (QCOs) have been notified for multiple technical textile products, while BIS has developed and published several hundred standards and testing protocols covering technical textile applications across infrastructure, healthcare, agriculture, defence and industrial segments. These standards are intended to promote product reliability, safety and wider market adoption. The Bureau of Indian Standards (BIS) has developed more than 600 standards specifically for technical textiles and their test methods, out of an overall total of over 1,500 published standards for the wider textile sector.

Export-Import (EXIM) and DGFT Regulations

The Directorate General of Foreign Trade (DGFT) regulates exports and imports of cotton and cotton yarn through India's Foreign Trade Policy framework. These regulations govern export procedures, trade

restrictions, incentives, and overseas market access, directly influencing cotton yarn exports and raw material availability.

Core Regulatory Mechanisms

- **Export Contracts:** While cotton yarn exports are generally "Free" without quantitative restrictions, the export of raw cotton and certain cotton waste requires mandatory **Registration Certificates (RC)** prior to shipment.
- **Registration Process:** Exporters must register their export contracts with DGFT Regional Authorities (RAs) and submit essential documents, such as irrevocable Letters of Credit (LC) or verified proof of advance payment.
- **Customs Verification:** The Customs department clears cotton consignments only after verifying that the export contracts have been successfully registered with the DGFT.
- **Monitoring Systems:** The Indian Government, through the Ministry of Textiles and the DGFT, actively monitors cotton exports to ensure domestic raw material availability and remunerative prices for over six million Indian cotton farmers.
- **Compliance Enablement:** Exporters must now use modern online frameworks like TRACE (Trade Regulations, Accreditation & Compliance Enablement) to meet regulatory and quality compliance requirements. Under TRACE, financial support is provided to MSME exporters to meet international testing, inspection, certification and other conformity requirements necessary for accessing global markets.

The Government continuously monitors cotton exports to ensure adequate raw material availability for the domestic textile industry while safeguarding farmers' interests. In addition, exporters can utilise government-backed compliance platforms and certification support programmes to meet international quality and conformity standards required in overseas markets.

Labour Codes, 2020 and Subsequent Rules

India's labour framework underwent a significant transformation through the consolidation of 29 labour laws into four Labour Codes covering wages, industrial relations, social security and occupational safety.

The reforms provide export-oriented industries with simplified regulations, flexible hiring provisions, unified registrations and returns, and expanded social security coverage, while ensuring occupational safety and welfare. At the same time, workers benefit from universal minimum wages, timely and transparent wage payments, mandatory appointment letters, grievance redressal mechanisms, and comprehensive social security protection.

Annual Cotton Procurement Framework

The Government facilitates availability of cotton to domestic textile and spinning industries through the release of stocks procured by the Cotton Corporation of India (CCI) under Minimum Support Price (MSP) operations, which are sold through a transparent online e-auction system enabling competitive price discovery. MSP for cotton is declared annually to safeguard farmers' interests when market prices fall below MSP Based on the procurement trend from Cotton Season 2020–21 onwards, MSP operations have been cyclical and largely dependent on prevailing market prices.

In **Cotton Season 2020–21**, procurement stood at 9.9 million bales, accounting for 28.18% of total production of 35.2 million bales, indicating substantial government intervention during a period when market prices required MSP support. In contrast, no MSP procurement was required in cotton season 2021–22 and 2022–23, as cotton prices were ruling above MSP, reflecting stronger market realisations for farmers and lower need for government-backed procurement support. Procurement resumed in cotton season 2023–24, although at a relatively moderate level of 3.3 million bales, representing 10.10% of production, suggesting partial market correction and selective MSP intervention.

Cotton Season	Procurement under MSP	
	Quantity in million Bales	% of Production
2020-21	9.93	28.18
2021-22	-	-
2022-23	-	-
2023-24	3.28	10.10
2024-25	10.02	34.04
2025-26	10.51	31.00

Source: Ministry of Textile

The scale of procurement increased sharply again in Cotton Season 2024–25, with procurement rising to 10.02 million bales, equivalent to 34.04% of production of 29.7million bales. This was the highest procurement share since 2019–20 and indicates a renewed need for MSP-led market support amid weaker cotton prices relative to MSP levels. The increase is particularly notable as overall cotton production declined from 32.5 million bales in 2023–24 to 29.4 million bales in 2024–25, while procurement volumes increased more than threefold from 3.28 million bales to 10.02 million bales. In 2025-26, MSP procurement increased further to 10.51 million bales; however, its share in production moderated to 31%.

The government also initiated schemes such as Amended Technology Upgradation Fund Scheme (ATUFS), Scheme for Integrated Textile Parks (SITP), Integrated Skill Development Scheme (ISDS), supply of power and energy at subsidized rates, setting up Integrated Textile Parks, sops on export, and benefits under scheme of Fund for Regeneration of Traditional Industries (Khadi, village and coir industries).

Environmental Regulations[55]

Sustainability is no longer optional in the cotton yarn supply chain. It is becoming a regulatory baseline as well as a commercial differentiator. The Ministry of Textiles was the first ministry to establish an ESG (Environment, Social and Governance) Task Force and a dedicated Sustainability Section, embedding environmental and governance standards into a supply chain that employs tens of millions. Under the Indian Carbon Market framework, obligated textile entities are now required to disclose Scope-1 and Scope-2 emissions, introducing measurable carbon accountability for spinning and processing operations. The handling of 70 azo dyes has been prohibited, raising chemical compliance standards that affect the dyeing stages downstream of cotton yarn production. A pilot project covering 400 factories across eight clusters is designed to mitigate 1,47,000 tCO2 equivalent emissions and reduce harmful chemical use by 10,530 tonnes, demonstrating that government-backed sustainability programmes are now being operationalised at scale.

On the certification side, **the Eco-Mark Scheme, 2024** has identified textiles as a product category eligible for Eco Mark certification under Indian Standards, with 13 Indian Standard titles notified for the sector. This certification pathway creates a formal route for sustainable yarn producers to document and signal their environmental performance to compliance-conscious buyers. The Solid Waste Management Rules, 2026, which came into full effect on 1 April 2026, require industrial units using solid fuel to gradually increase the use of Refuse Derived Fuel (RDF) from 5% to 15% over six years, adding energy-mix compliance requirements to the operational agenda of larger spinning mills.

India's circular textile ecosystem is already substantially developed relative to global peers. Of the approximately 7.8 million tonnes of textile waste managed annually, over 90% is sourced from domestic pre- and post-consumer waste, more than 70% of total textile waste is recovered through recycling, upcycling, downcycling, or reuse, and nearly 95% of pre-consumer waste is collected through established value-chain networks. About 55% of post-consumer textile waste is diverted from landfills. The textile recycling sector is projected to reach USD 3.5 billion by 2030, signalling a growing commercial opportunity for cotton spinning units that can integrate waste and yarn recycling capabilities into their operations, and for which certified recycled-content yarn is increasingly a buyer expectation.

Supportive Policy Measures for the Cotton Spinning

Apart from the regulatory framework governing the cotton sector, the Government of India has introduced various schemes and initiatives over time to promote investment, modernisation, infrastructure

[55] PIB

development, skill enhancement, and overall competitiveness across the cotton spinning and broader textile value chain.

Mission for Cotton Productivity

Addressing the chronic productivity gap directly, the Union Cabinet in May 2026 sanctioned the Mission for Cotton Productivity with a total outlay of INR 56,592.2 million for the period 2026-27 to 2030-31, implemented jointly by the Ministry of Agriculture and Farmers Welfare and the Ministry of Textiles involving 10 institutes of Indian Council of Agricultural Research (ICAR), one institute of Council for Scientific and Industrial Research (CSIR), and 10 centres of All India Coordinated Research Project (AICRPs). The mission targets a productivity increase from approximately 440 kg per hectare to 755 kg per hectare by 2031, with total production targeted to rise to 49.8 million bales over the same horizon. In the initial phase, the mission is will cover 140 districts in 14 cotton-producing states for upscaling the technologies and 2000 ginning/ processing factories, benefiting approximately 3.2 million farmers. The mission additionally promotes the Kasturi Cotton Bharat initiative, targeting trash content below 2%, which is an emerging quality-qualification threshold for premium-segment cotton yarn producers seeking differentiated export positioning.

PM Mega Integrated Textile Region and Garment (PM MITRA) Parks scheme

The PM Mega Integrated Textile Region and Garment (PM MITRA) Parks scheme, sanctioned with an outlay of INR 44,450 million for 2021-22 to 2027-28, has finalised 7 sites in Tamil Nadu (Virudhunagar), Telangana (Warangal), Gujarat (Navsari), Karnataka (Kalaburagi), Madhya Pradesh (Dhar), Uttar Pradesh (Lucknow), and Maharashtra (Amravati). Investment MoUs with an expected potential of over INR 274,340 million have been signed, with 100% land acquired and transferred to the respective Special Purpose Vehicles, while infrastructure works worth INR 25,909.9 million have been initiated by all seven state governments. Detailed Project Reports worth INR 70,240 million have been approved for Madhya Pradesh, Tamil Nadu, Telangana, and Maharashtra parks. For cotton yarn producers, PM MITRA parks offer plug-and-play infrastructure that can reduce initial capital outlay and enable ecosystem-scale co-location with upstream and downstream textile players.

Amended Technology Upgradation Fund Scheme (ATUFS)[56]

ATUFS is aimed at technologically upgrading the machinery used in textile industry. This scheme provides credit-linked Capital Investment Subsidies (CIS) to textile units for purchasing benchmarked machinery, helping mills modernize and reduce their environmental footprint. Upgrading machinery in textile industry

improves quality of products and reduces the manufacturing cost, which will make Indian textile industry more competitive in the global arena. With the aim of 'Make in India' and 'Zero Defect and Zero Effect' in manufacturing, the government provides credit linked capital investment subsidy. This scheme would facilitate augmenting of investment, productivity, quality, employment, exports and import substitution in textile industry. It will also indirectly promote investment in textile machinery manufacturing.

Key Features:

- Objective: Encourage textile units to adopt modern machinery, improve productivity, enhance quality, create employment, increase exports, and reduce dependence on imports.
- Coverage Period: 13 January 2016 – 31 March 2022 (currently applicable only for committed liability cases).
- Eligibility: Textile units that meet the lending norms of financial institutions and the scheme's benchmark criteria.
- Subsidy Structure:
    - Garments & Technical Textiles: 15% capital investment subsidy (CIS) up to ₹300 million.
    - Weaving, Processing, Jute, Silk, Handloom: 10% CIS up to ₹200 million.
    - Composite Units/Multiple Segments: 10–15% CIS depending on investment.
- Disbursement: Subsidy is credit-linked, released after verification of eligible machinery investment supported by sanctioned term loans.
- Impact: Encouraged modernization across the sector, especially among MSMEs, strengthening India's textile manufacturing ecosystem.
- Budget Allocation – INR 178.22 billion for FY2023.
- As per last update in March 2025, INR 6.35 billion has been allocated for the fiscal year 2025-26 for modernization of textile machinery.

Production Linked Incentive (PLI) Scheme for Textiles

The Government of India approved the Production Linked Incentive (PLI) Scheme for Textiles in September 2021 to promote manufacturing of Man-Made Fibre (MMF) garment, MMF fabrics, and products of technical textiles. The scheme aims to boost domestic production capacity, attract investment, support exports, and enhance the global competitiveness of the textile sector.

- Budget Outlay: INR 106.83 billion
- Duration: FY2025-26 to FY2029-30 (5 years), with early eligibility from FY2024-25 possible

- Coverage: MMF garment, MMF fabrics, and 10 technical textile segments

The scheme incentivizes eligible manufacturers with cash payouts of 4–11% (depending on the product category) on incremental annual turnover over a five-year period, covering fiscal years 2024–25 to 2028–29 subject to investment and performance thresholds. The Production Linked Incentive (PLI) Scheme for Textiles is demonstrating tangible implementation progress. As of March 31, 2026, approved participants had invested approximately INR 81.18 billion and generated 33,427 jobs, while the government had expanded the scheme to cover 170 approved companies across MMF apparel, MMF fabrics, and technical textiles. With additional approvals under Round III expected to bring over INR 128 billion of fresh investments, the scheme is strengthening India's manufacturing ecosystem in high-value textile segments.

Samarth – Scheme for Capacity Building in Textile Sector

The Samarth Scheme is a government initiative under the Ministry of Textiles aimed at skill development and capacity building in the textile sector. It focuses on demand-driven and placement-oriented training to enhance employability and meet industry requirements. The scheme covers the entire textile value chain (excluding spinning and weaving), including segments like **garment, garmenting, handloom, handicrafts, silk, and jute.**

It provides training and upskilling for both new entrants and existing workers in the sector. The scheme is implemented through industry associations, central and state agencies, and sectoral organisations such as the Development Commissioner (Handloom), Development Commissioner (Handicrafts), Central Wool Development Board, and Central Silk Board.

As of the latest data, the Samarth Scheme has trained over 3.27 lakh candidates, with approximately 2.6 lakh placed in jobs, and has focused significantly on women's employment, training around 2.89 lakh women.

Duration & Budget: Extended till March 2026, with a total budget allocation of INR 4,950 million for FY2025 and FY 2026.

Sustainability and Circular Economy Initiatives

In recent years, the Government of India has increasingly focused on promoting sustainability and circularity across the textile value chain. Policy measures have encouraged the adoption of organic fibres, responsible sourcing practices, recycled materials, traceability systems, waste recovery, eco-labelling, and resource-efficient manufacturing processes. For example, under the PM MITRA Scheme modern textile infrastructure is being developed with end-to-end manufacturing facilities including Common Effluent Treatment Plants (CETPs), wastewater recycling, scientific waste management, and shared utilities. S

These initiatives are intended to support the industry's alignment with evolving global sustainability

requirements and enhance the competitiveness of Indian textile products in international markets. The government has also highlighted the growing role of circular production models involving textile waste recovery, recycling, reuse, and environmentally responsible manufacturing practices across the sector.

Gujarat Textile Policy 2024

The Government of Gujarat launched the **Gujarat Textile Policy 2024 in October 2024** with the objective of strengthening the entire textile value chain, promoting value-added manufacturing, attracting fresh investments, generating employment, and enhancing Gujarat's position as a leading textile hub. The policy is effective from 1st October 2024 to 30th September 2029. Unlike earlier schemes that focused on select segments, the new policy adopts an integrated approach covering garments, garment, technical textiles, weaving, knitting, processing, MMF-based spinning, and other downstream textile activities.

Key incentives under the policy include:

- Capital subsidy ranging from 10% to 35% of Eligible Fixed Capital Investment (eFCI), subject to prescribed ceilings.
- Interest subsidy of 5% to 7% on term loans for eligible projects.
- Power tariff subsidy of ₹1 per unit for up to five years, including electricity sourced through renewable energy/open-access arrangements.
- Payroll assistance to promote employment generation, with higher support for women workers.

Additional incentives for units established in the PM MITRA Textile Park and for investments in technical textiles and value-added manufacturing. For cotton spinning and textile companies, the policy is expected to improve project viability, reduce operating costs, and encourage capacity expansion across the textile ecosystem.

Viksit Gujarat Industrial Policy 2026

The Government of Gujarat launched the Viksit Gujarat Industrial Policy 2026, effective from 1 June 2026 to 31 May 2031, with the objective of promoting manufacturing-led growth, investment, employment generation, and industrial competitiveness across the state. The policy introduces a flexible "Choose Your Incentive" framework and provides investment-linked incentives, power-related support, and assistance for capacity expansion and modernization projects.

For the cotton spinning industry, the policy is expected to support modernization, technology adoption, capacity expansion, and operational efficiency through broader manufacturing incentives and

industrial infrastructure development, thereby strengthening Gujarat's position as a leading cotton and textile manufacturing hub.

Regulatory policies governing cotton spinning in Gujarat

In addition to incentive schemes under the Gujarat Textile Policy and Viksit Gujarat Industrial Policy, cotton spinning units are subject to a range of state-level environmental, utility and labour regulations. Environmental compliance is overseen by the Gujarat Pollution Control Board ("GPCB"), which requires textile manufacturers to obtain Consent to Establish ("CTE") prior to setting up industrial facilities and Consent to Operate ("CTO") before commencing commercial operations. Depending on the nature of operations, units may also be required to comply with prescribed standards relating to air emissions, wastewater discharge, hazardous waste management and environmental monitoring.

From a utility's perspective, spinning mills must comply with electricity regulations administered by the Gujarat Electricity Regulatory Commission ("GERC"), including provisions governing power procurement, captive power generation, open-access arrangements and electricity tariff payments. Units using groundwater or industrial water connections are also required to adhere to applicable permissions relating to water abstraction, consumption and wastewater disposal.

Cotton spinning facilities in Gujarat are subject to a range of labour, employment and factory regulations. Worker health, safety, welfare amenities, working hours and overtime are primarily governed under the Occupational Safety, Health and Working Conditions Code, 2020. These regulations mandate factory licensing, machine guarding, fire safety measures, ventilation, lighting, drinking water, sanitary facilities, first-aid arrangements and welfare facilities such as canteens and restrooms for eligible establishments.

Employment-related obligations, including payment of wages, minimum wages, bonus payments, gratuity benefits and maternity benefits, are governed by the Code on Wages, 2019, the Payment of Bonus Act, 1965, the Payment of Gratuity Act, 1972 and the Maternity Benefit Act, 1961.

Social security compliance is governed by the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 and the Employees' State Insurance Act, 1948, requiring eligible establishments to make provident fund and employee state insurance contributions for covered employees.

GST-Linked Revisions to the Gujarat Textile Policy, 2012

The Government of Gujarat Textile Policy, 2012 was introduced to promote investments, capacity expansion, value addition, and employment generation across the textile value chain in the state. The policy provides a range of fiscal incentives to eligible textile units, including support linked to investments and reimbursement of certain state taxes. Following the implementation of the Goods and Services Tax (GST)

regime, the Government of Gujarat revised the policy framework to address the transition from the earlier VAT-based tax structure to GST. The revised provisions enabled eligible textile units to continue receiving tax-related incentives through reimbursement of the State Goods and Services Tax (SGST) component, thereby preserving the benefits available under the policy. These amendments were aimed at maintaining investor confidence, supporting ongoing and new textile projects, and enhancing the competitiveness of Gujarat's textile manufacturing ecosystem in the post-GST environment.

Threats & Challenges to Cotton Yarn Industry

Indian cotton yarn spinning mills operate in an increasingly challenging environment shaped by tightening domestic cotton availability, rising input costs, high energy tariffs and evolving global trade dynamics. Cotton production is estimated at 33.9 million bales in cotton season 2025-26, lower than the peak of 38.6 million bales in cotton season 2014-15, while domestic consumption continues to exceed production, resulting in a projected supply deficit of 0.9 million bales.[57] This imbalance has increased reliance on imports and heightened exposure to raw material availability and pricing risks. To address periodic supply shortages and support the competitiveness of the domestic textile value chain, the Government of India has, from time to time, introduced temporary exemptions on customs duties applicable to raw cotton imports, rather than providing a permanent duty waiver. In line with this approach, the Central Government exempted all **customs duties on cotton imports from 1 June 2026 to 31 October 2026 to augment the** availability of raw cotton for the Indian textile sector and ease supply-side constraints.[58] The temporary duty relief is expected to facilitate access to imported cotton at competitive prices, helping moderate raw material costs across the textile and garment value chain while ensuring adequate cotton availability for domestic manufacturers. The measure is also intended to support the global competitiveness of India's textile industry, particularly export-oriented and small and medium-scale enterprises, by reducing input cost pressures and improving supply stability, while continuing to safeguard the interests of domestic cotton farmers through existing support mechanisms.

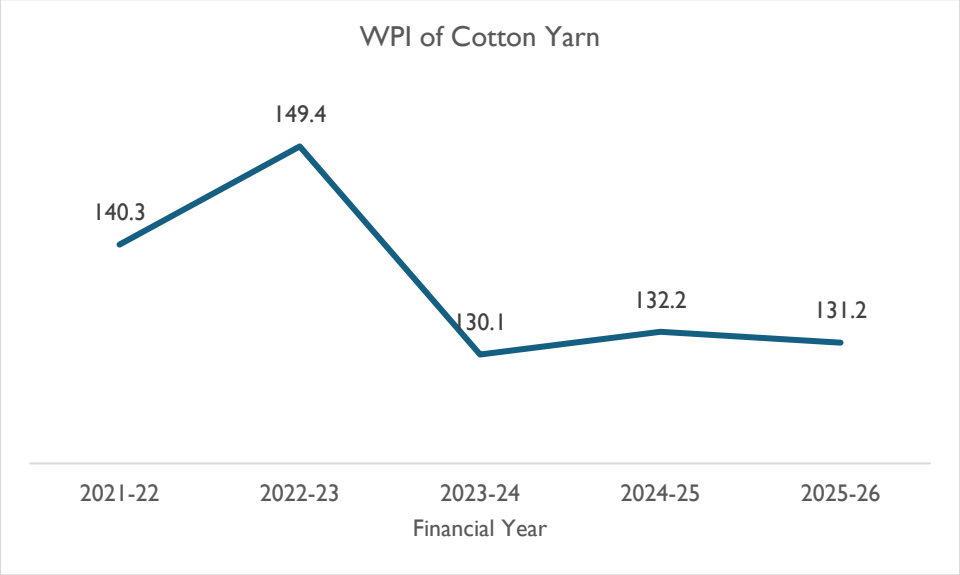
The industry also faces pressure from increasing MSP-led cotton procurement costs and elevated power tariffs, particularly in major spinning hubs, which raise operating expenses and affect cost competitiveness. In addition, cotton yarn manufacturers continue to contend with volatile cotton prices, competition from synthetic and man-made fibre products, and a challenging export environment characterised by softer demand in key markets and emerging trade-related uncertainties. While growing sustainability and compliance requirements may require incremental investments in environmental and social governance

[57] Cotton Association of India – Monthly Report July 2026
[58] PIB

practices, these are largely transitional challenges. Collectively, these factors are increasing cost pressures across the value chain and reinforcing the importance of scale, operational efficiency and prudent raw material management for long-term competitiveness.

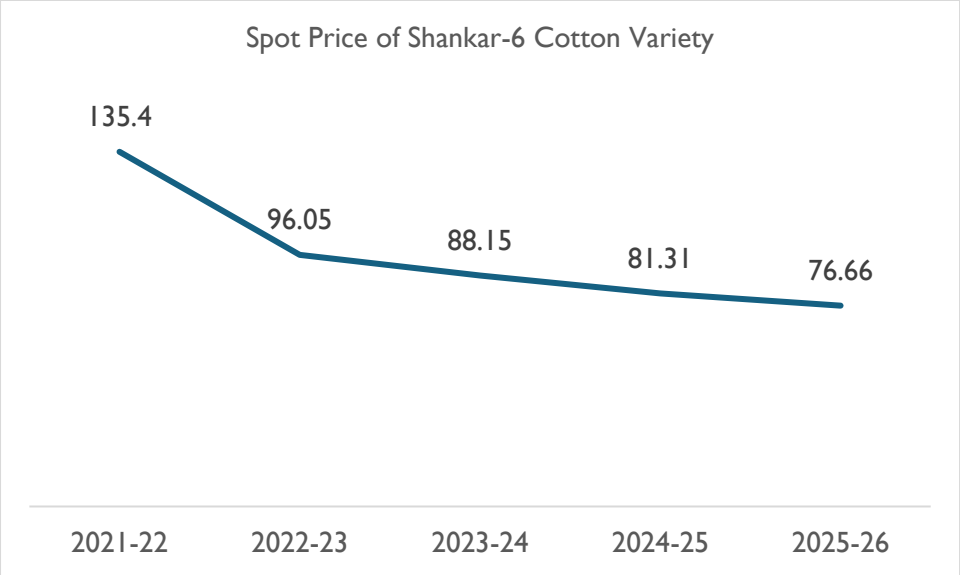
Volatility in Raw Material Prices

Raw material (cotton) cost is the single biggest cost component in yarn manufacturing and is estimated to account for more than half of the total yarn production cost. Consequently, any deviation in cotton price will have a significant impact on the operations of yarn manufacturers. Although domestic production of cotton is one of the largest in the world, several domestic and international factors have an impact on the product pricing. For example, the recent political unrest in Bangladesh has impacted the textile industry as a whole, and it is believed to have also impacted cotton as well as yarn pricing. Similarly, factors like uneven climatic conditions that impact the cotton yield, any supply chain disruptions, and import/export variations all have an impact on cotton supply and in turn its pricing.



Source: CMIE

Over the last few years, the Wholesale Price Index (WPI) of Cotton Yarn exhibited significant fluctuations during the period under review. The index increased from 140.3 in FY2021-22 to 149.4 in FY2022-23, reflecting a period of elevated prices across the cotton yarn value chain. However, the index declined sharply to 130.1 in FY2023-24, representing a correction of approximately 12.9%, before stabilising at 132.2 in FY2024-25 and 131.2 in FY2025-26.



Source: Confederation of Indian Textile Industry (CITI)

Shankar-6, the benchmark cotton variety used by the Indian spinning industry, witnessed a significant correction in spot prices during the period under review. Spot prices declined from 135.4 in FY2021-22 to 96.05 in FY2022-23 and further moderated to 76.66 in FY2025-26. The sharp correction following FY2021-22 indicates easing raw material price pressure after a period of elevated cotton prices, although the trend also highlights the inherent volatility of cotton markets and their susceptibility to changes in global and domestic supply-demand conditions.

The combined trend in Shankar-6 cotton prices and cotton yarn WPI indicates that the cotton yarn industry remains highly sensitive to fluctuations in raw material prices. While the moderation in cotton prices during recent years has provided some relief to spinning mills, the historical volatility in both cotton and yarn prices underscores the importance of prudent procurement practices, inventory management and working capital planning. As a result, spinning manufacturers are required to actively monitor cotton market dynamics and optimise sourcing strategies to mitigate the impact of raw material price fluctuations and maintain operational stability.

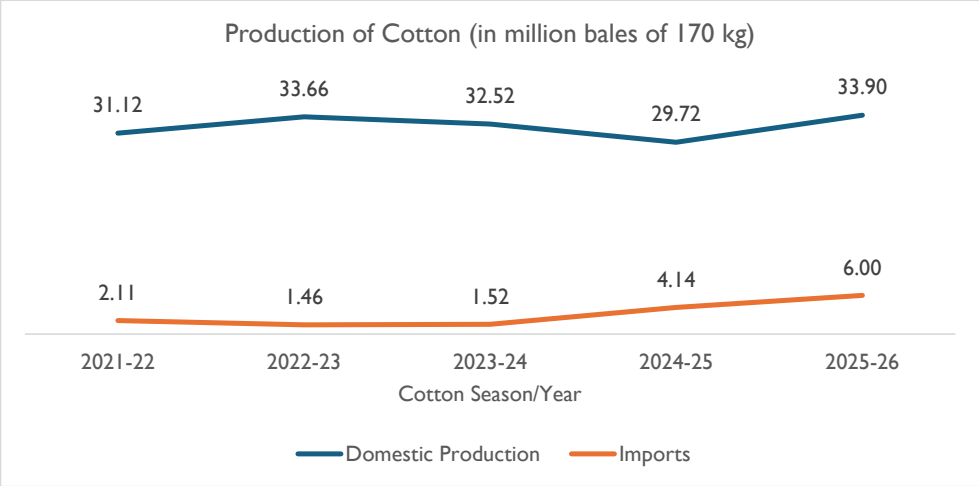
Declining Domestic Cotton Availability and Rising Import Dependence

Domestic cotton availability has emerged as a key structural constraint for the Indian spinning industry, as domestic production has moderated while import dependence has increased sharply. As reflected in the graph, cotton production decreased from 33.66 million bales in cotton season 2022-23 to 32.52 million bales in 2023-24 and further to 29.72 million bales in 2024-25. Production is, however, estimated to increase to 33.9 million bales in cotton season 2025-26[59], indicating a recovery in domestic cotton output

[59] Cotton Association of India

following two consecutive years of decline. Variations in cotton production influence the availability of raw material for spinning mills and may impact procurement strategies, inventory levels and input costs across the cotton yarn industry.

The shortfall in domestic availability has led to a material increase in cotton imports. Imports, which stood at 1.52 million bales in cotton season 2023-24, increased sharply to 4.14 million bales in cotton season 2024-25, representing an increase of approximately 172%, and to 6 million bales in cotton season 2025-26. This shift reflects the growing need of spinning mills to supplement domestic cotton with imported fibre to maintain production continuity.



Source: Cotton Advisory Board

This widening dependence on imported cotton exposes spinning mills to additional procurement risks, including global price volatility, currency movement, freight cost fluctuations and shipment lead-time uncertainty. Since raw cotton forms the principal input cost for cotton yarn manufacturers, any increase in fibre cost may directly affect operating margins, particularly when yarn realisations do not increase proportionately. Consequently, declining domestic production, higher import reliance and large-scale MSP procurement together create raw material availability and cost pressures for spinning mills, reducing procurement flexibility and increasing the risk of margin compression.

Furthermore, on the import side, the sourcing of cotton yarn is similarly concentrated, with Vietnam (41.4% by value) and Egypt (19.0% by value) together accounting for a substantial majority of imports. Additional suppliers such as Indonesia (6.4%), China (4.9%), and USA (4.5%) contribute marginal shares, while other countries (6.9%) provide some diversification. This pattern highlights dependence on a limited number of supplier nations, which could pose risks in case of supply disruptions. Overall, the cotton yarn trade

structure underscores the need for broader market diversification and supplier expansion to enhance stability and reduce concentration risks.

Increasing MSPs

Rising MSPs have established an escalating cost floor that mills cannot circumvent through procurement timing or volume flexibility. The MSP for medium staple cotton[60] was raised by 8.27% for cotton year 2025-26 to INR 7,710 per quintal, following a 7.14% increase in the prior year for long staple cotton to INR 7,521 per quintal. These successive above-inflation increases are designed to support farmer income but directly translate into higher input cost benchmarks for spinning mills, narrowing the yarn-to-cotton price spread and limiting the margin headroom available to millers when downstream yarn prices remain subdued.

Crop Year	Medium Staple MSP rate (INR / Quintal)	Medium Staple Increase in MSP %	Long Staple (MSP rate (INR / Quintal)	Long Staple Increase in MSP %
2021-22	5726	3.83%	6025	3.43%
2022-23	6080	6.18%	6380	5.89%
2023-24	6620	8.88%	7020	10.03%
2024-25	7121	7.14%	7521	7.57%
2025-26	7710	8.27%	8110	7.83%

Source: Ministry of Textiles

Competition from Synthetic Textiles

Cotton textile products face competition from synthetic textiles owing to the lower cost and some superior attributes of the latter. Synthetic textile is growing at a faster rate than cotton textiles because of attributes ranging from lower price to specific functionalities (like design & better fitment for the fast fashion industry, durability, quicker drying time, superior wrinkle resistance). In India, cotton yarn, fabrics, made-ups and handloom products recorded exports of INR 1,024 billion in FY 2025–26 as against INR 1,020.01 billion in FY 2024–25, reflecting stable growth of 0.4%. Man-made yarn, fabrics and made-ups posted a stronger growth of 3.6%, with exports increasing from INR 411.96 billion to INR 426.88 billion.[61] Although cotton textile continues to be a preferred choice in India, their dominance is eroding as more and more customers are opting for the functionality offered by synthetic textiles.

[60] Medium staple cotton is a category of cotton fibre with a staple (length) typically ranging from 20.5 mm to 28.6 mm.
[61] PIB

Sustainability and Regulatory Pressures

The textile industry is increasingly facing environmental and sustainability-related challenges, including stricter regulations on water usage, chemical processing, and carbon emissions. Global buyers are emphasizing sustainable sourcing, traceability, and eco-friendly production practices, which require additional investments in technology and compliance. While these measures improve long-term competitiveness, they increase short-term costs for manufacturers.

External Trade Headwinds

External trade headwinds have further increased uncertainty for Indian cotton yarn manufacturers. For instance, cotton yarn exports declined by approximately 5% in FY 2024-25, primarily due to weaker demand from China, one of India's key export markets. Export volumes to China reportedly fell by 66% year-on-year, highlighting the industry's exposure to demand fluctuations in major destination countries. While higher shipments to Bangladesh partially offset this decline, Bangladesh, China and Vietnam together continue to account for a significant share of India's cotton yarn exports, creating concentration risk.

Moreover, geopolitical disruptions affecting Bangladesh and changes in logistics routes have increased transportation costs and supply chain uncertainty.

The industry is also exposed to policy and tariff-related developments in key export markets. Although India temporarily removed customs duties on cotton imports to improve the availability of contamination-free cotton for exporters, imported cotton remains susceptible to currency-related cost pressures. Further, ongoing uncertainty surrounding tariff measures may affect the competitiveness of downstream textile exports and, consequently, demand for domestically produced cotton yarn and capacity utilization levels across the spinning value chain.

High and Uneven Power Costs Across States

Energy is a significant operating cost for spinning mills, which are highly power-intensive and typically operate continuous production schedules. Electricity tariffs continue to vary considerably across states, resulting in differences in manufacturing costs among textile-producing regions. Based on DISCOM tariff data for 2026[62], electricity tariffs for commercial and industrial consumers in major textile states ranged from approximately INR 8.20 per kWh in Gujarat to between INR 11.20 per kWh to INR 12.50 per kWh in Mumbai. Other key spinning hubs such as Tamil Nadu, Telangana, Punjab, Karnataka and Rajasthan reported tariffs in the range of INR 8.40 - INR 9.50 per kWh. These differences in power costs can influence the competitiveness of spinning mills, particularly in a sector where electricity constitutes a significant

[62] https://solarcalculators.in/discom-tariff/

component of conversion costs. Mills operating in higher-tariff states may face greater margin pressure and reduced-price competitiveness in both domestic and export markets compared with manufacturers located in lower-cost power jurisdictions.

Emerging Opportunities

Premiumization and Branding of Indian Cotton

The Indian cotton industry is increasingly transitioning from a volume-driven growth model towards a value-driven strategy centred on quality enhancement, branding, traceability and sustainability. Despite being one of the world's largest producers of cotton, India has historically competed largely on the basis of production volumes and cost competitiveness. In recent years, however, industry stakeholders and the Government of India have undertaken initiatives aimed at enhancing the global positioning of Indian cotton through quality assurance, standardization and branding efforts. A significant development in this regard has been the launch of Kasturi Cotton Bharat, a national branding initiative designed to establish a distinct identity for premium Indian cotton in domestic and international markets. The initiative seeks to create a standardized framework for cotton quality, traceability and certification, thereby enabling Indian cotton to compete with globally recognized premium cotton brands. The programme focuses on fibre quality assurance and end-to-end traceability mechanisms across the supply chain, responding to the growing requirements of global textile manufacturers, garment brands and retailers for transparent and traceable sourcing. As of **30 June 2026, 0.33** million bales have been certified under the Kasturi Cotton Bharat brand.[63]

The increasing emphasis on branded and traceable cotton creates opportunities for domestic spinning companies, particularly those engaged in manufacturing premium, contamination-controlled, compact, combed, organic, Better Cotton (BCI), sustainable and high-count yarns. Global textile and garment brands are increasingly seeking suppliers capable of demonstrating fibre provenance, sustainability credentials and product traceability.

The Cotton Corporation of India (CCI) has deployed the Blockchain-based Bale Identification and Traceability System (BITS), operational since October 2023, assigning QR codes to each bale and providing complete information on fibre properties alongside chain-of-custody records from procurement through processing. As a result, yarn manufacturers with established capabilities in sourcing certified cotton and

[63] PIB

producing value-added yarns may be better positioned to participate in premium textile supply chains and strengthen customer relationships with export-oriented textile manufacturers.

This premiumisation trend is also evident at the yarn level. Premium compact yarns such as EliTwist technology-based compact yarn typically command a premium over conventional carded yarn due to the additional combing process and advanced compact spinning technology employed during production. **Based on stakeholder interactions, premium compact yarns generally realize prices that are approximately 25%-35% higher than conventional** conventional yarns, such as traditional ring-spun and rotor-spun cotton yarns although the exact premium varies depending on yarn count, quality specifications and end-use applications.

The premium pricing is supported by superior product characteristics, including lower hairiness, higher yarn strength, improved uniformity and enhanced fabric appearance, making such yarns particularly suitable for premium garment, high-quality knitwear, export-oriented textile products and other applications requiring superior fabric performance. The increasing adoption of premium compact yarns reflects the broader transition of the cotton textile industry towards higher-value, quality-focused and branded products.

Growing Demand for Value-Added and Specialty Cotton Yarns

The Indian cotton yarn industry is gradually transitioning from conventional commodity yarns towards **value-added and performance-oriented yarn categories,** driven by evolving requirements of textile manufacturers, garment exporters, home textile producers and premium garment brands. Increasing demand for superior fabric quality, improved processing efficiency, enhanced durability and differentiated textile products has supported the adoption of compact yarns, doubled yarns, specialty yarns and other advanced spinning products across domestic and export markets.

Among the emerging product categories, **compact yarns and technology-enabled value-added yarns have gained increasing acceptance due to their improved strength, lower hairiness, better yarn uniformity and enhanced fabric appearance compared with conventional ring-spun yarn**s. These performance characteristics are particularly valued in premium applications such as fine-count shirting fabrics, knitwear, home textiles, high-thread-count fabrics, fashion garment and export-oriented textile products. As downstream textile manufacturers increasingly focus on quality enhancement and production efficiency, demand for value-added cotton yarns is expected to witness sustained growth.

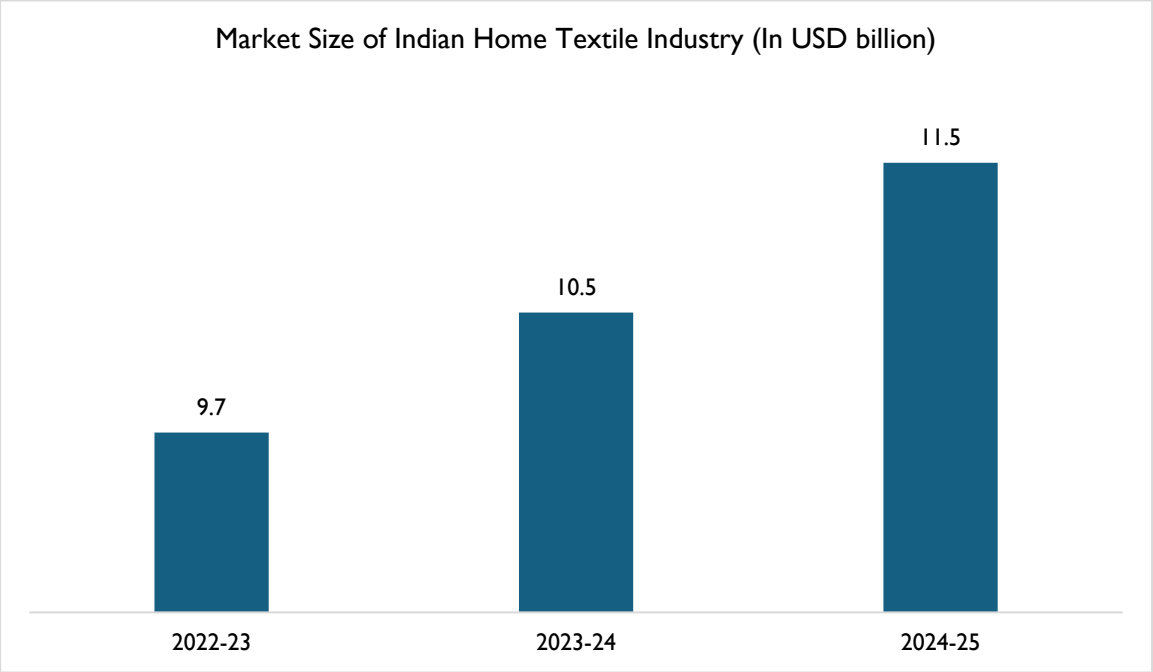
In addition, a**dvanced yarn constructions such as compact twin-spun yarns manufactured using technologies such as EliTwist Technology-based compact yarn and doubled yarns produced through Two-for-One (TFO) systems** are gaining traction across premium textile applications. Such

yarns generally provide improved tensile strength, lower hairiness, enhanced durability, superior abrasion resistance and better weaving performance compared with conventional single yarns. These characteristics enable higher weaving efficiencies, lower yarn breakages and improved fabric appearance, making them suitable for high-quality woven fabrics, premium shirting materials, fine-count suiting fabrics, denim, bed linen, terry towels and other home textile products. Studies comparing **EliTwist Technology-based compact yarn and conventional TFO yarns** have reported **improvements in yarn strength and extension characteristic**s, supporting their use in applications that require enhanced durability and fabric performance

The increasing premiumisation of garment and home textile markets is further supporting demand for such yarns. **Manufacturers of branded garments, high-thread-count bedding, premium home furnishings and export-oriented textile products are increasingly seeking yarns that offer improved consistency, reduced fabric defects and superior finished-product aesthetics.** As a result, value-added yarn categories such as compact yarns, doubled yarns and compact twin-spun yarns are increasingly being adopted across downstream textile manufacturing segments.

The Indian home textile industry has witnessed steady growth over the years, driven by rising domestic demand, expanding exports, and technological advancements. From a market size of USD 9.7 billion in 2022-23, the industry has grown at a CAGR of approximately 8.6%, reaching USD 11.5 billion in 2024-25.

Below graph indicates the market value for Home Textile Industry:



Source: D&B Research Estimates

The emergence and rapid expansion of organized retail stores such as Fab India, Home Stop, and Home Centre have significantly improved domestic manufacturers' ability to reach a wider consumer base. These retailers provide a well-organized supply chain with minimal risks compared to exports, allowing local manufacturers to thrive. Additionally, e-commerce platforms like Amazon, Flipkart, and Snapdeal have grown exponentially over the past five years. These platforms offer direct-to-consumer sales channels, enabling manufacturers to enhance brand visibility and reach niche markets. Additionally, investment from Global Home Furnishing Giants such as **IKEA, H&M Home,** and **Home Depot** have been at the forefront of this expansion. These companies establish sourcing and design offices in Asian countries, including India, to expedite product development and enhance supply chain efficiency. Such investments indicate strong future growth prospects for India's home textile sector. Several international brands recognize India's potential as a **home textile manufacturing hub** and are making significant investments in the sector. Retail giants such as IKEA, H&M Home, and Home Depot have been at the forefront of this expansion. These companies establish sourcing and design offices in Asian countries, including India, to expedite product development and enhance supply chain efficiency. Such investments indicate strong future growth prospects for India's home textile sector.

Furthermore, **the expansion of technical textiles, industrial fabrics and specialised textile** applications is supporting demand for engineered yarn products with superior strength, consistency and performance attributes. **Cotton-based value-added yarns are finding increasing usage** across segments such as medical textiles, industrial textiles, protective textiles, filtration products and specialised fabric applications where enhanced product performance is required. The *continued diversification of textile end-use sectors is expected to create additional opportunities for manufacturers capable of offering a broad portfolio of value-added yarn products.*

Adoption of Sustainable Practices and ESG Compliance

Sustainability is increasingly becoming a key differentiator within the global textile and garment industry. According to the Ministry of Textiles, global markets are witnessing a growing shift towards environmentally responsible production, with increasing emphasis on circularity, responsible sourcing, waste reduction, eco-labelling, traceability and the adoption of sustainable raw materials across the textile value chain. These evolving requirements are influencing procurement decisions of international brands and retailers, resulting in greater demand for certified and sustainably produced textile inputs.

In response to these trends, adoption of sustainable practices such as the use of Better Cotton (BCI), organic cotton, recycled cotton and other certified raw materials, along with compliance with internationally recognized sustainability standards, presents a significant opportunity for domestic spinning

mills. Global garment and home textile brands are increasingly seeking suppliers capable of demonstrating traceability, responsible sourcing and compliance with environmental and social standards across their supply chains. Consequently, the ability to offer certified sustainable yarns has become an important factor in supplier selection and long-term customer relationships.

India's textile industry has already demonstrated significant progress towards circularity. More than 70% of textile waste is currently channeled into recycling, upcycling, downcycling or reuse activities, while the spinning segment has established a highly efficient waste utilization model, with almost all soft spinning waste being reintroduced into production processes. In parallel, leading textile manufacturers have begun investing in recycled cotton programmes, fibre recovery technologies and resource-efficient manufacturing systems, reflecting a growing industry-wide focus on sustainability.

Programmes such as ATUFS, Integrated Processing Development Scheme (IPDS) and the InTex India Project support investments in water-saving technologies, energy-efficient machinery, cleaner production processes, textile recycling and circular business models. These initiatives help improve environmental performance across the textile value chain and support compliance with evolving sustainability requirements.

At the regulatory level, ESG-related compliance obligations are also becoming more prominent. Measures such as the Carbon Credit Trading Scheme, Eco-Mark certification framework, environmental standards for textile manufacturing and stricter waste-management regulations are raising environmental compliance expectations across the industry.

Increasing Adoption of Renewable Energy in Spinning Operations

The increasing adoption of captive solar and wind power is emerging as an important opportunity for spinning mills to manage energy costs and improve long-term operational efficiency. India has witnessed substantial growth in renewable energy infrastructure. According to the Ministry of New and Renewable Energy (MNRE), the country had installed 150.26 GW of solar power capacity and 56.09 GW of wind power capacity as of 31 March 2026, as part of a total 274.68 GW renewable energy capacity base. [64]The Government of India further reported that total non-fossil fuel capacity reached 283.46 GW as of 31 March 2026, reflecting the rapid expansion of renewable energy generation across the country.

The growing availability of renewable power offers spinning mills an opportunity to reduce dependence on conventional grid electricity and mitigate exposure to rising electricity tariffs. Renewable energy adoption can provide greater cost visibility over the long term, improve energy security and enhance competitiveness

[64] PIB

in both domestic and export markets. Captive and group-captive renewable energy projects have become increasingly prevalent among textile manufacturers seeking to manage operating costs while improving sustainability performance. The continued development of solar and wind infrastructure in leading textile states such as Gujarat, Maharashtra, Rajasthan, Tamil Nadu and Karnataka is expected to improve access to renewable power for industrial consumers.

Renewable energy adoption also supports the textile industry's transition towards more sustainable manufacturing practices. Global garment brands, retailers and sourcing companies are increasingly incorporating carbon footprint reduction, renewable energy usage and ESG performance into supplier evaluation frameworks. Consequently, spinning mills that incorporate renewable energy within their operations may be better positioned to meet evolving sustainability requirements across global textile supply chains. In addition, various government initiatives promoting clean energy deployment and industrial decarbonisation are expected to support the increased adoption of renewable energy solutions by textile manufacturers over the medium term.

Contamination Control and Fibre Authentication

Contamination has been a long-standing drag on Indian cotton's acceptance in premium export markets. Coloured fertilizer bags, introduced in coordination with the Ministry of Fertilizers, are designed to reduce white-polypropylene contamination in cotton fibre at the source. The Mission for Cotton Productivity simultaneously targets trash reduction to below 2%, reflecting the recognition that fibre cleanliness directly affects yarn breakage rates, count achievability, and export realisations. For fibre authentication and adulteration detection, the Ministry of Textiles, in collaboration with CSIR-NBRI, developed the 'Karpasa Vastra Sattva' protocol. The protocol uses next-generation sequencing (NGS) to distinguish cotton species and identify specific cotton varieties. It has been validated against 317 Indian and 164 international cotton genotypes, strengthening traceability and helping detect fibre adulteration[65]. This capability is expected to strengthen quality certification credibility, particularly for premium-count and ELS-origin yarn supplied to international buyers with stringent specifications.

Mandatory Use of Technical Textiles in Government Projects

The expansion of India's technical textile industry presents a new avenue of demand for cotton yarn manufacturers. Technical textiles are increasingly being used across sectors such as healthcare, agriculture, construction, infrastructure, automotive, industrial safety, packaging and environmental protection. While synthetic fibres continue to dominate several technical textile applications, cotton yarn remains an

[65] Ministry of Textiles Annual Report 2025-26

important raw material in segments where properties such as absorbency, comfort, biodegradability, skin compatibility and breathability are critical.

Cotton-based yarns are used in a range of technical textile applications including medical textiles (gauze, bandages, surgical dressings), agro-textiles, geotextiles, industrial wipes, filtration products and specialised protective textiles. Government initiatives promoting technical textile adoption, increasing infrastructure investments, growth in healthcare spending and rising demand for sustainable textile materials are expected to support the expansion of technical textile manufacturing in India. As technical textile manufacturers increasingly diversify product portfolios and scale production capacities, demand for specialised cotton yarns suitable for technical applications is expected to increase over the medium term.

The Ministry of Textiles, under a Public Procurement (Preference to Make in India) Order dated October 23, 2019, has mandated the use of technical textiles across 92 application areas in government-funded infrastructure projects managed by 10 central ministries including agriculture, horticulture, highways, railways, water resources, and healthcare. As of the latest update, notifications for 68 specific applications have been issued, ensuring that geotextiles, agro-textiles, and other high-performance textile products are systematically integrated into official schemes. This policy guarantees steady demand for specialized yarns, supporting domestic manufacturers and advancing the government's goals of sustainable infrastructure development and self-reliance. The Government is also promoting the use of indigenous geosynthetics such as geocells, geogrids and geocomposites in highway, water management and other infrastructure projects through guidelines issued by ministries including the Ministry of Road Transport & Highways and the Ministry of Jal Shakti, thereby supporting domestic manufacturing and accelerating adoption of technical textiles.

Competitive Landscape

The cotton yarn industry in India is a dynamic sector characterized by the presence of established manufacturers, mid-sized enterprises, and smaller spinning units. Competition is shaped by factors such as operational efficiency, production capacity, and compliance with evolving market trends. The industry benefits from the availability of domestic cotton, but challenges related to cost fluctuations, regulatory requirements, and evolving consumer preferences influence market positioning.

Companies in this sector focus on optimizing production efficiency, adopting technological advancements, and meeting quality standards to strengthen their market presence. Export markets play a crucial role, with international demand influencing pricing and production strategies. The ability to maintain cost-effectiveness while ensuring product quality

Key Factors Shaping Competition in the Indian Cotton Spinning Industry

Competition within the Indian cotton spinning industry is influenced by a combination of raw material access, operational efficiency, product mix, scale, technology adoption and market access. As the industry operates in a relatively fragmented environment with the presence of both large integrated textile groups and standalone spinning mills, competitive intensity remains high across both domestic and export markets.

- **Access to Raw Cotton and Procurement Efficiency**

Raw cotton is the single largest cost component in cotton yarn production, typically accounting for a substantial proportion of manufacturing costs. Consequently, spinning mills located in major cotton-producing regions such as Gujarat, Maharashtra and Telangana often benefit from lower logistics costs and more reliable access to raw material. Companies with strong procurement networks, warehousing infrastructure and inventory management capabilities are generally better positioned to manage fluctuations in cotton prices and maintain profitability.

- **Scale of Operations and Capacity Utilisation**

Larger spinning companies benefit from economies of scale in procurement, production and marketing. Higher spindle capacity enables manufacturers to spread fixed costs over larger production volumes, improving cost competitiveness. In addition, mills capable of maintaining high-capacity utilisation levels are often better positioned to withstand pricing pressures and fluctuations in demand compared to smaller operators.

- **Shift Towards Value-Added Yarn Products**

The industry is witnessing increasing competition in higher-margin yarn categories such as combed yarn, compact yarn and specialty yarns. Demand from premium garment, home textiles and export-oriented textile manufacturers is encouraging spinning companies to move beyond conventional carded yarn and diversify into value-added products. Manufacturers with the capability to produce finer counts and specialised yarns often command superior realisations and face relatively lower competitive pressure compared to commodity yarn producers.

- **Technology Adoption and Manufacturing Efficiency**

Investments in modern spinning technologies, automation and energy-efficient machinery are becoming increasingly important competitive differentiators. Advanced spinning systems improve yarn quality, reduce wastage, enhance productivity and lower operating costs. Companies adopting modern technologies such as compact spinning, automatic winding systems and digitally integrated manufacturing processes are generally better positioned to compete in quality-sensitive domestic and international markets.

- **Export Market Access and Customer Relationships**

India's cotton spinning industry is strongly export-oriented, making access to international markets an important competitive factor. Companies with established relationships with textile manufacturers in key export destinations such as Bangladesh, China, Vietnam, Turkey and Egypt benefit from a diversified customer base and greater resilience against demand fluctuations in individual markets. The ability to consistently meet quality standards, delivery schedules and customer specifications also plays a critical role in determining competitiveness.

- **Energy Costs and Operational Efficiency**

Power and fuel costs represent a significant component of spinning mill operating expenses. Consequently, mills located in states with competitive industrial power tariffs and reliable electricity supply often enjoy a cost advantage. Rising energy prices are increasing the importance of energy-efficient manufacturing processes, captive power generation and renewable energy adoption as factors influencing competitiveness.

- **Integration Across the Textile Value Chain**

Integrated textile companies with operations spanning spinning, weaving, processing and garmenting may benefit from greater control over demand, improved margins and reduced dependence on external buyers. Such integration can provide better visibility over market requirements and facilitate product development aligned with downstream consumption trends.

- **Compliance, Sustainability and Traceability Requirements**

Increasing emphasis on sustainable sourcing and traceable textile supply chains, particularly in export markets, is shaping competitive dynamics within the industry. Buyers are increasingly seeking suppliers capable of demonstrating compliance with environmental, social and quality standards. As a result, investments in certified cotton sourcing, sustainable manufacturing practices and supply-chain transparency are becoming important factors influencing supplier selection and long-term competitiveness.

Profiling of Key Players

Name of the company	Business Overview
Ambika Cotton Mills Limited	Incorporated in 1988, headquartered in Coimbatore, Southern India, the company is a manufacturer of premium-quality compact yarn catering to both the hosiery and knitting sectors. It has the capability to manufacture yarn for counts varying from 20's to 120's combed which goes for the manufacture of premium branded shirts and t-shirts globally. Moreover, it has manufacturing units in Dindigul, Tamil Nadu The Company has obtained the following certificates such as OEKO-TEX, Global – Organic Textile Standard (GOTS), SUPIMA, Cotton USA, Better Cotton Initiative, Organic Content Standard (OCS), Global Recycled Standard (GRS), FSC Chain of Custody (COC), Cotton made in Africa (CMIA), US Cotton Trust Protocol Member, SEDEX, and Recycled Claim Standards (RCS).
Aastha Spintex Limited	Incorporated in 2013 and headquartered in Halvad, Gujarat, Aastha Spintex Limited is a cotton yarn manufacturer engaged in the production of high-quality cotton spinning products for both domestic and export markets. The company operates a vertically integrated manufacturing facility in the cotton-rich Saurashtra region of Gujarat and focuses on producing premium cotton yarns for the knitting and weaving sectors. With in-house ginning capabilities and a fully integrated spinning setup, the company emphasizes quality control, operational efficiency, and sustainable manufacturing practices powered by renewable energy sources such as solar and wind power. The company manufactures and supplies yarns conforming to internationally recognized sustainability standards and offers products certified under Better Cotton (BCI) and Organic Cotton standards. Its manufacturing facilities and yarn

	products have also received approvals from leading global garment retailers, reflecting its focus on quality assurance, traceability, and responsible sourcing.
Shiva Texyarn Ltd	Incorporated in 1980 and headquartered in Coimbatore, Tamil Nadu, Shiva Texyarn Ltd is a diversified textile manufacturer with a strong focus on technical textiles and value-added textile products. The company operates across the textile value chain, manufacturing cotton yarns, specialty fabrics, coated and laminated technical textiles, home textiles, knitwear, outerwear garments, military and tactical gear, backpacks, rucksacks, and other engineered textile solutions. Its operations are supported by vertically integrated manufacturing facilities encompassing spinning, processing, coating, lamination, garmenting, and technical textile production, enabling the company to serve domestic and international markets across garment, industrial, defense, healthcare, and infrastructure segments.
Shree Ram Twistex Limited	Originally incorporated in 2013 and headquartered in Gondal, Gujarat, Shree Ram Twistex Limited is engaged in the manufacturing of cotton yarns for the domestic and export markets. The company manufactures compact ring-spun and carded yarns, both combed and carded, as well as specialty products such as compact slub yarn, modal cotton yarn, and dyed yarn. Its products cater to a wide range of applications including knitting, weaving, denim, terry towels, shirting, sheeting, sweaters, socks, home textiles, bottom wear, and industrial fabrics. The company operates a manufacturing facility in Gondal, Rajkot district, Gujarat, with a spindle capacity of approximately 27,744 spindles. The company primarily serves institutional customers in the textile value chain and exports yarn to international markets. It has undertaken renewable energy initiatives to support its manufacturing operations, including a rooftop solar power facility and captive renewable energy projects aimed at reducing power costs and enhancing sustainability. Shree Ram Twistex focuses on quality assurance through advanced spinning technology and the use of high-grade cotton fibre, producing premium cotton ring-spun yarns for global textile manufacturers. The company emphasizes sustainable manufacturing practices, operational efficiency, and long-term customer relationships.

Financial Performance Analysis

Indicators	Unit	Rudra Cottex			Aastha Spintex Limited			Ambika Cotton Mills Limited			Shiva Texyarn Ltd			Shree Ram Twistex Limited		
		FY'26	FY'25	FY'24	FY'26	FY'25	FY'24	FY'26	FY'25	FY'24	FY'26	FY'25	FY'24	FY'26	FY'25	FY'24
Total Income	INR Mn	3457.7	2765.8	2227.0	4434.0	3521.7	3051.1	7961.9	7285.8	8462.1	305.1	796.2	728.6	2740.7	2540.2	2329.9
Revenue from Operations	INR Mn	3453.3	2761.8	2223.5	4426.4	3511.6	3048.6	7809.6	7020.7	8234.6	304.9	781.0	702.1	2728.9	2527.5	2329.0
Key Operating Cost	INR Mn	2805.2	2222.4	1903.4	3894.7	3013.0	2669.5	6667.6	5987.5	7141.9	267.0	666.8	598.8	2400.1	2341.3	2124.8
EBITDA	INR Mn	1231.6	1211.8	1238.7	531.7	498.6	278.3	1142.0	1043.2	1092.7	27.8	114.2	104.3	328.9	209.2	204.2
EBITDA Margin	%	35.7	43.9	55.7	12.0	14.2	9.1	14.6	14.9	13.3	9.1	14.6	14.9	12.1	8.3	8.8
PAT	INR Mn	237.4	235.0	100.0	237.4	235.0	177.5	715.6	657.4	629.7	17.7	71.6	65.7	141.7	80.0	69.7
PAT Margin	%	6.9	8.5	4.5	5.4	6.7	5.8	9.2	9.4	7.6	5.8	9.2	9.4	5.2	3.2	3.0
Operating Cash Flow	INR Mn	83.4	287.9	180.9	53.6	(178.2)	104.5	2282.5	1290.5	(1377.5)	10.4	228.3	129.1	(226.6)	241.5	(48.8)
Net Worth	INR Mn	1287.7	956.8	718.4	1603.9	1220.2	780.6	9543.1	9040.6	8588.9	78.1	954.3	904.1	1984.8	740.3	0.0
Long Term Borrowing	INR Mn	229.0	207.6	349.1	118.4	263.4	480.5	0.0	0.0	0.0	48.1	0.0	0.0	106.3	380.1	381.4
Debt Equity Ratio	In Times	0.9	0.9	1.4	0.6	0.2	1.1	0.0	0.1	0.1	1.1	0.0	0.1	0.2	0.5	1.4
Interest Coverage Ratio	In Times	9.2	9.7	10.1	3.8	4.2	2.4	8.6	6.6	5.5	2.4	8.6	6.6	2.9	2.4	3.1
Return on Capital Employed	%	47.8	62.7	68.7	17.7	19.7	13.4	11.4	11.2	11.1	13.4	11.4	11.2	11.1	11.9	12.2
Return on Equity	%	21.2	28.1	14.9	16.8	23.5	25.5	7.7	7.5	7.5	3.4	7.7	5.9	10.4	12.9	15.1
Return On Asset	%	9.2	11.1	5.0	7.7	9.1	8.6	6.3	5.9	6.1	2.6	6.3	3.1	5.6	4.8	5.5

Source: Audited financial statements taken on standalone basis, annual reports and regulatory filings of the respective companies; D&B analysis

Revenue Scale and Growth Trajectory

Rudra Cottex Limited ("Rudra Cottex") is the third-largest company within the peer set by total income, reporting revenue of INR 3,457.7 million in FY2025-26. The Company ranks behind only Ambika Cotton Mills Limited ("Ambika Cotton Mills"), which reported total income of INR 7,961.9 million, and Aastha Spintex Limited ("Aastha Spintex"), with total income of INR 4,434.0 million during the same period. Rudra Cottex outperformed Shree Ram Twistex Limited ("Shree Ram Twistex"), which reported total income of INR 2,740.7 million, and Shiva Texyarn Limited ("Shiva Texyarn"), which reported total income of INR 305.1 million. Between FY2023-24 and FY2025-26, Rudra's total income increased from INR 2,227.0 million to INR 3,457.7 million, representing a CAGR of approximately 24.6%, outperforming the growth recorded by most peers. The company's ability to combine scale with strong growth highlights its expanding market presence within the cotton yarn industry.

Operating Cost Structure and Efficiency

Rudra Cottex reported key operating costs of INR 2,805.2 million in FY2025-26. As a proportion of total income, operating costs accounted for approximately 81.1%, the lowest among the selected peers. In comparison, operating costs represented approximately 87.8% of total income for Aastha Spintex, 83.7% for Ambika Cotton Mills, 87.5% for Shiva Texyarn and 87.6% for Shree Ram Twistex. The relatively lower cost intensity indicates superior operating efficiency and provides Rudra with a meaningful competitive advantage in profitability generation.

Operating Profitability and Margin Performance

Rudra Cottex generated EBITDA of INR 1,231.6 million in FY2025-26, significantly higher than all peers, including Aastha Spintex (INR 531.7 million) and Shree Ram Twistex (INR 328.9 million). The company reported an EBITDA margin of 35.7%, substantially above the peer range of 9.1% to 14.6%. Although Rudra's EBITDA margin has moderated from 55.7% in FY2023-24, it continues to remain materially ahead of competitors. The significantly higher EBITDA margin reflects stronger operational efficiency, better cost absorption and superior earnings generation from its revenue base.

Net Profitability

Rudra Cottex reported PAT of INR 237.4 million in FY2025-26, more than double its FY2023-24 PAT of INR 100.0 million. The corresponding PAT margin stood at 6.9%, higher than Aastha Spintex (5.4%), Shiva Texyarn (5.8%) and Shree Ram Twistex (5.2%), although lower than Ambika Cotton Mills (9.2%). Notably, Rudra generated a similar level of PAT as Aastha Spintex despite operating at a smaller revenue base, demonstrating stronger earnings conversion and operating efficiency.

Capital Structure and Leverage Position

Rudra Cottex reported a debt-equity ratio of 0.9x in FY2025-26, unchanged from FY2024-25 and lower than FY2023-24 levels of 1.4x. The ratio is higher than those reported by Ambika Cotton Mills (nil), Shree Ram Twistex (0.2x) and Aastha Spintex (0.6x), but remains below Shiva Texyarn (1.1x). While Rudra maintains a relatively more leveraged capital structure than most peers, the gradual reduction in leverage over the review period indicates strengthening balance sheet fundamentals.

Debt Servicing Capability and Financial Resilience

Despite its comparatively higher leverage, Rudra reported the strongest debt-servicing capacity among peers, with an interest coverage ratio of 9.2x in FY2025-26. This was higher than Ambika Cotton Mills (8.6x), Aastha Spintex (3.8x), Shree Ram Twistex (2.9x) and Shiva Texyarn (2.4x). The high coverage ratio demonstrates that Rudra's operating earnings remain more than sufficient to meet finance costs and reduce financial risk.

Capital Efficiency

Rudra Cottex delivered a ROCE of 47.8% in FY2025-26, the highest among the selected peers. This compares favourably with Aastha Spintex (17.7%), Shiva Texyarn (13.4%), Ambika Cotton Mills (11.4%) and Shree Ram Twistex (11.1%). Although ROCE has moderated from 68.7% in FY2023-24, Rudra Cottex continues to significantly outperform peers, indicating superior utilisation of capital employed and stronger value creation for stakeholders.

Asset Utilisation

Rudra Cottex also reported the highest return on assets of 9.2% in FY2025-26, compared with 7.7% for Aastha Spintex, 6.3% for Ambika Cotton Mills, 5.6% for Shree Ram Twistex and 2.6% for Shiva Texyarn. The company's ROA improved from 5.0% in FY2023-24, reflecting enhanced asset productivity and stronger earnings generation from its asset base.

Competitive Positioning

Rudra Cottex is positioned as one of the strongest performers among the selected peers, combining a relatively large operating scale with industry-leading profitability and return metrics. The company reported the third-highest total income in FY2025-26, behind only Ambika Cotton Mills Limited and Aastha Spintex Limited, while generating the highest EBITDA and EBITDA margin among the peer group. Its EBITDA margin of 35.7% significantly exceeded the peer range of 9.1% to 14.6%, reflecting superior cost efficiency and earnings generation.

The company also demonstrated stronger capital productivity than its peers. Rudra reported the highest return on capital employed (47.8%) and return on assets (9.2%) in FY2025-26, indicating efficient utilisation of both capital and operational assets. In addition, despite maintaining a relatively higher debt-equity ratio than most peers, the company recorded the strongest interest coverage ratio of 9.2x, highlighting its ability to comfortably service debt obligations through operating earnings.

While Ambika Cotton Mills reported higher net profit margins and reported the largest revenue among all the peers considered, , Rudra distinguished itself through a balanced combination of growth, profitability, cost efficiency and return generation. Overall, the comparative analysis suggests that Rudra Cottex occupies a favourable competitive position within the peer group, supported by strong operating performance, efficient capital deployment and robust earnings quality.

Company Profile

Rudra Cottex Limited is an integrated participant in the cotton textile value chain, with operations spanning the manufacturing and sale of cotton yarn and value-added cotton yarn products along with trading of cotton bale and cotton yarn. Incorporated on 23 March 2016, the Company manufactures a broad range of cotton yarn products, including **carded, combed, compact and EliTwist technology-based compact yarns** across various count ranges and end-use applications. Its products cater to weaving and knitting segments and are used in the manufacture of garment, knitwear, denim, home textiles, premium fabrics and other textile products in domestic and export markets.

In addition to serving the domestic market, the Company supplies products to international markets through merchant export channels. Its strategic location in Gujarat provides proximity to cotton-growing regions, textile clusters, logistics infrastructure, and export-oriented textile manufacturers, supporting procurement and market access.

Product Portfolio

Product	Product Description	Key Applications / End-use
EliTwist Technology-based Compact Yarn (Ne 2/20, 2/30-2/40)	Premium compact twin-spun yarn manufactured by feeding two compacted rovings simultaneously and twisting them together to produce a yarn with enhanced strength, lower hairiness, superior uniformity and improved fabric performance.	Premium shirting, luxury knitwear, high-end garments, home textiles and specialty textile applications
Compact Yarn (Ne 20-40)	Value-added cotton yarn manufactured using compact spinning technology, which reduces hairiness and improves yarn strength, evenness and fabric appearance compared to conventional ring-spun yarns.	Premium knitwear, branded apparel, shirting, fashion garments, export-quality fabrics, home textiles and fine-count woven fabrics.
Carded Yarn (Ne 16-34)	Cotton yarn manufactured from carded cotton fibres through the conventional spinning process. Offers cost efficiency and is suitable for a wide range of general textile applications.	Denim fabrics, basic garment fabrics, hosiery, towels, home textiles, industrial fabrics and general-purpose woven and knitted products.
Combed Yarn (Ne 16-32)	Cotton yarn produced using an additional combing process that removes short fibres and impurities, resulting in improved strength, softness, smoothness and yarn uniformity.	Premium knitwear, innerwear, fashion apparel, children's wear, premium shirting, high-quality home textiles and fine-count fabrics.

Manufacturing Capability

The Company operates a cotton ring frame spinning manufacturing facility located at **Kadjodra, Dehgam, Gujarat**, spread across approximately **13,137square metres**. The facility is equipped with modern spinning infrastructure sourced from leading technology providers and incorporates contamination detection systems, compact spinning technology, automated winding systems and advanced quality testing equipment.

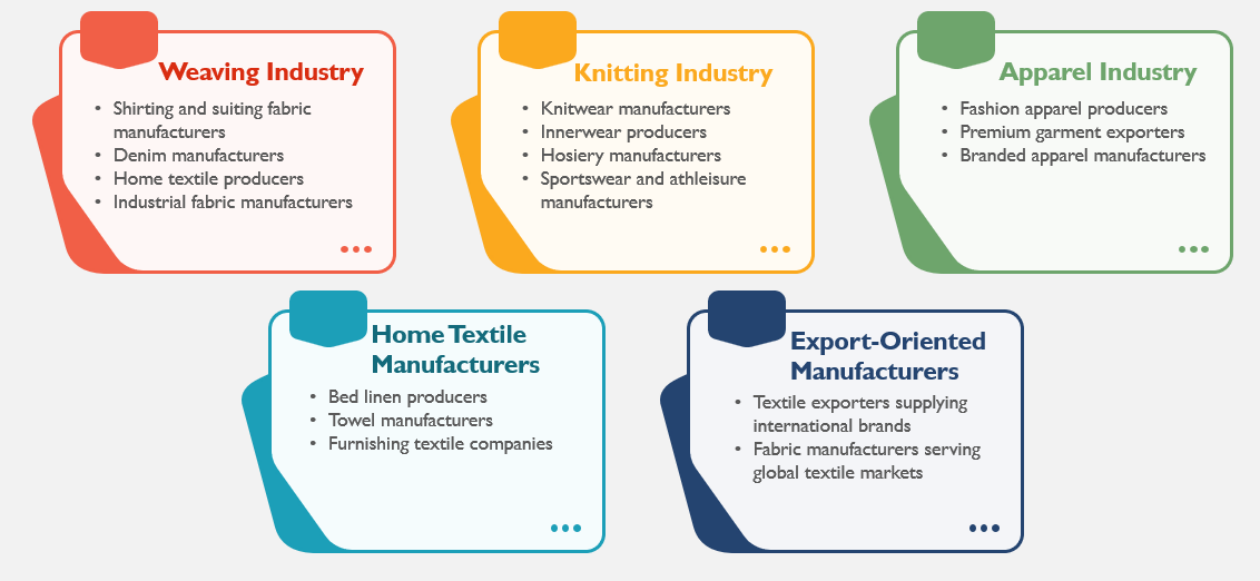
Particulars	Details
Plant Location	**Kadjodra, Dehgam, Gujarat**
Land Area	Approximately 13,137 sq. metres
Installed Capacity	27,360 Ring Spindles
Production Capacity	9,307.50 metric tonnes per annum
Technology Providers	Trützschler, Lakshmi Machine Works, Rieter, Schlafhorst, Uster Technologies
Quality Systems	In-house fibre and yarn testing laboratory

The manufacturing operations are supported by modern spinning machinery sourced from leading technology providers such as Trützschler, Lakshmi Machine Works, Rieter, Schlafhorst and Uster Technologies. The production process incorporates automated and technology-driven systems including contamination detection, compact spinning systems, autoconers equipped with electronic yarn clearing technology and advanced quality testing equipment. While certain material handling and process control functions are automated, the manufacturing process also involves operator intervention across production stages, indicating a semi-automated ring frame spinning operation supported by modern textile manufacturing technologies. The company has also established in-house testing and quality assurance infrastructure equipped with advanced fibre and yarn testing systems.

The Company's manufacturing setup supports the production of a broad range of value-added yarn products and facilitates quality control throughout the production process.

Key Customer Segments Served

Rudra Cottex's products cater to a diverse range of downstream textile manufacturers operating across both domestic and export markets. The Company's customer base spans various segments of the textile value chain.



Market Positioning

Particulars	FY 2025-26
Gujarat Cotton Yarn Market	INR 107,800 million
Gujarat Compact Cotton Yarn Market size (7% of Gujarat Cotton Yarn Market)	INR 7,546 million
Rudra Cottex Compact Cotton Yarn Revenue	INR 1438 million
Rudra Cottex's Share of Gujarat Compact Cotton Yarn Market	19.0%

The Gujarat cotton yarn market stood at INR 107.8 billion in FY2025-26, of which the compact cotton yarn segment accounts for approximately INR 7,546.0 million, representing around 7% of the overall market. Within this value-added segment, Rudra Cottex's compact cotton yarn revenue is INR 1,438.5 million, translating into market share of 19.0%, positioning the Company as a significant participant in a niche market that is expected to increase its share of the state's cotton yarn market over the coming years.

SWOT Analysis

Strengths

- **Diversified presence across value-added cotton yarn categories -** Rudra Cottex Limited manufactures EliTwist Technology-based compact yarn, available in carded and combed varieties, along with conventional compact yarn, carded yarn and combed yarn. across multiple count ranges. These products cater to garment, knitwear, denim, shirting, home textiles, premium fabrics and other weaving and knitting applications. The broad portfolio enables the Company to serve both conventional and value-added segments and reduces dependence on a single yarn category or end-use market.
- **Modern manufacturing and quality-assurance capabilities -** The Company operates a semi-automated manufacturing facility equipped with 27,360 ring spindles and production capability of 9,307.50 metric tonnes per annum (MTPA). Its manufacturing platform includes modern machinery from established technology providers and incorporates contamination detection, compact spinning, automated winding, electronic yarn clearing and advanced fibre and yarn testing systems. These capabilities support production consistency, lower hairiness, improved yarn strength, contamination control and quality-sensitive product manufacturing.
- **Strong financial performance and operational efficiency** - Rudra Cottex Limited has established a strong competitive position within the cotton yarn industry through its combination of scale, profitability, operating efficiency and capital productivity. The Company reported the second-highest total income among the selected peers in FY2025-26 and achieved industry-leading profitability metrics, supported by the lowest operating cost intensity within the peer group. In

addition, the company reported the highest ROCE, ROA and interest coverage ratio among peers, reflecting efficient utilisation of capital and assets, strong earnings generation and a robust ability to service debt obligations. Collectively, these factors position the Company as one of the most operationally efficient and financially productive players within its peer set.

Weaknesses

- **Moderating margins and return ratios -** While Rudra Cottex continues to outperform its peers on profitability and return metrics, its EBITDA margin declined from 55.7% in FY2023-24 to 35.7% in FY2025-26, while ROCE moderated from 68.7% to 47.8% over the same period. The trend highlights the need to sustain cost efficiencies and continue increasing the share of value-added yarn products to support long-term profitability and returns.
- **Business concentration in cotton yarn** - The Company's manufacturing operations are concentrated in cotton yarn and related value-added yarn products. Consequently, financial performance remains closely linked to cotton availability, cotton-to-yarn price spreads, downstream textile demand and capacity utilisation within the spinning business. Unlike vertically integrated textile companies with fabric, processing or garmenting operations, Rudra Cottex primarily operates in the yarn manufacturing segment and does not have material manufacturing integration beyond yarn production.
- **Export access through merchant channels** - The Company supplies international markets through merchant export channels. While this provides access to overseas demand, reliance on intermediaries may offer less direct control over customer relationships, market intelligence and export-market diversification than a direct export model.

Opportunities

- **Increasing demand for value-added and premium yarns** - The cotton yarn industry is gradually moving towards combed, compact, doubled and technology-enabled yarns as downstream manufacturers seek higher strength, lower hairiness, improved consistency and superior fabric performance. The Gujarat compact cotton yarn market, valued at INR 7546 million, currently accounts for around 7% of the state's cotton yarn market by value and is expected to increase its share to approximately 9% by FY2029-30. This evolving product mix presents a significant opportunity for manufacturers with capabilities in specialised and premium yarn categories to improve realisations and strengthen their market position.
- **Potential forward integration into fabrics and downstream products** - The Company's existing yarn manufacturing base provides a potential platform for future expansion into weaving,

knitting or fabric manufacturing. Such forward integration could provide greater control over downstream demand, facilitate value addition and reduce reliance on external yarn buyers. This constitutes a strategic growth option rather than a currently stated manufacturing capability.

- **Growing Domestic and Export Market Opportunity -** The Indian cotton yarn market is projected to grow from INR 770 billion in FY2025-26 to INR 1,010 billion by FY2029-30, while cotton yarn exports are projected to increase from INR 284,752 million to approximately INR 358,454 million over the same period. Supported by growth in textile and garment manufacturing, rising demand for value-added yarns and established export linkages, Rudra Cottex is well positioned to benefit from both domestic market expansion and increasing export opportunities.
- **Sustainable, certified and traceable yarn solutions** - Global buyers are increasingly incorporating responsible sourcing, traceability, renewable energy and environmental performance into supplier selection. Growing demand for organic cotton, Better Cotton, recycled cotton and traceable premium yarns presents an opportunity for the Company to complement its value-added product portfolio with relevant sustainability certifications and traceability systems.
- **Gujarat's textile ecosystem and policy framework** - Gujarat's textile and industrial policies provide a range of incentives for eligible textile units, including support related to capital investment, interest subsidies on term loans, electricity tariff concessions, modernisation and capacity expansion. Under the Gujarat Textile Policy, 2012, the State Government also introduced provisions for continuation of tax-related incentives through SGST reimbursement mechanisms following the implementation of GST, helping sustain the attractiveness of textile investments in the state. In addition, the state's PM MITRA park, established textile clusters and export-oriented infrastructure are expected to support ecosystem-level growth, strengthen the textile value chain and drive downstream demand for yarn manufacturers operating in Gujarat.

Threats

- **Volatility and availability risk in raw cotton** - Raw cotton accounts for more than half of yarn production costs, making operating margins highly sensitive to variations in cotton prices. Shankar-6, a key benchmark cotton variety, is also exposed to seasonal quality variation, weather conditions, pest incidence and traceability concerns. Any inability to pass higher fibre costs through to yarn customers could compress margins and increase working-capital requirements.
- **Supply chain and trade-related risks -** The cotton yarn industry remains exposed to both upstream raw material challenges and downstream export market uncertainties. Declining domestic cotton availability has increased reliance on imported fibre, exposing manufacturers to global cotton prices, currency fluctuations, freight cost movements and supply chain disruptions.

At the same time, demand concentration in key export markets such as Bangladesh and China, coupled with evolving trade policies, tariff changes, geopolitical developments and logistics constraints, can affect export realisations, order volumes and capacity utilisation. Together, these factors may create volatility in procurement costs, operational planning and overall business performance

- **Competitive intensity and substitution risk** - The Indian cotton yarn industry operates in a highly competitive and fragmented environment, with competition from both organised spinning mills and alternative fibre segments. In addition to intense rivalry among yarn manufacturers on factors such as scale, product quality, technology, cost efficiency and customer relationships, cotton yarn also faces growing competition from synthetic and blended fibre products, which offer advantages such as lower cost, durability, wrinkle resistance and suitability for fast-fashion applications. As textile manufacturers increasingly seek cost-effective and performance-oriented materials, continued adoption of synthetic and blended textiles, coupled with intense competition within the spinning industry, could exert pressure on demand growth, pricing power and profitability for cotton yarn manufacturers.
- **Power-cost and labour availability pressures** - Spinning is a power-intensive and continuous manufacturing activity, and electricity costs remain an important component of conversion costs. Although Gujarat's indicative industrial tariff is lower than tariffs cited for some competing locations, future tariff increases could affect margins. The Company's continuing requirement for operator intervention also exposes operations to potential skilled labour availability and wage pressures.